

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES OR TO ANY U.S. PERSON.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the Offering Circular is confidential and intended only for you and you agree you will not forward, reproduce or publish this electronic transmission or the Offering Circular to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THIS OFFERING CIRCULAR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. THE SECURITIES DESCRIBED IN THIS OFFERING CIRCULAR MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")), OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

This Offering Circular is not being distributed to, and must not be passed on to, the general public in the United Kingdom. The distribution in the United Kingdom of this Offering Circular and any other marketing materials relating to the Trust Certificates is being addressed to, or directed at only the following persons: (a) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (b) persons falling within any of the categories of persons described in Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (c) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order (each a "**relevant person**"). Persons of any other description in the United Kingdom may not receive and should not act or rely on this Offering Circular or any other marketing materials in relation to any Trust Certificates.

Confirmation of your representation: By accessing the Offering Circular you confirm to Arada Developments LLC ("**Arada**"), to Arada Sukuk Limited (in its capacities as issuer of the securities and as trustee for the holders of the securities, the "**Trustee**") and to each of Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC and Standard Chartered Bank (the "**Joint Global Co-ordinators**") and to each of Abu Dhabi Commercial Bank PJSC, Ajman Bank PJSC, Al Rajhi Capital Company, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, Kamco Investment Company K.S.C.P., Mashreqbank psc (acting through its Islamic Banking Division), Sharjah Islamic Bank PJSC, Standard Chartered Bank and Warba Bank K.S.C.P. (the "**Joint Lead Managers**") that: (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the securities described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including any state of the United States and the District of Columbia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American

Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive this Offering Circular; (v) you consent to delivery of such Offering Circular and any supplements thereto by electronic transmission; (vi) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (vii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation, *Shari'a* or other economic considerations with respect to your decision to subscribe or purchase any of the securities.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such licensed Joint Lead Manager or such affiliate on behalf of Arada, the Trustee or holders of the applicable securities in such jurisdiction.

Recipients of the Offering Circular who intend to subscribe for or purchase the securities described herein are reminded that any subscription or purchase may only be made on the basis of the information contained in the Offering Circular and/or supplement(s) to the Offering Circular (if any).

The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by Arada, the Trustee and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Arada, the Trustee, the Joint Lead Managers, the Delegate or the Agents, nor any person who controls them, or any director, officer, employee or agent of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from Arada, the Trustee and the Joint Lead Managers. Please ensure that your copy is complete. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Each of the Joint Lead Managers is acting exclusively for Arada and the Trustee and no one else in connection with any offer of the securities described in the Offering Circular. They will not regard any other person (whether or not a recipient of the Offering Circular) as their client in relation to any offer of the securities described in the Offering Circular and will not be responsible to anyone other than Arada and the Trustee for providing the protections afforded to their clients nor for giving advice in relation to any offer of the securities described in the Offering Circular or any transaction or arrangement referred to herein.



ARADA SUKUK LIMITED

(incorporated as an exempted limited liability company in the Cayman Islands)

U.S.\$350,000,000 TRUST CERTIFICATES DUE 2027

The U.S.\$350,000,000 trust certificates due 2027 (the "**Trust Certificates**") of Arada Sukuk Limited (in its capacities as issuer of the Trust Certificates and trustee for the Certificateholders (as defined below), the "**Trustee**") will be constituted by a declaration of trust (the "**Declaration of Trust**") dated 8 June 2022 (the "**Issue Date**") entered into between the Trustee, Arada Developments LLC ("**Arada**" or the "**Obligor**") and The Law Debenture Trust Corporation p.l.c. (as: (i) donee of certain powers; and (ii) as delegate of the Trustee, the "**Delegate**"). The Trust Certificates confer on the holders of the Trust Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the "**Trust**") over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Trust Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Trust Certificates (the "**Conditions**").

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Trust Certificates from (and including) the Issue Date to (but excluding) 8 June 2027 (the "**Scheduled Dissolution Date**") at a rate of 8.125 per cent. per annum. The Trust Certificates shall be redeemed on the Scheduled Dissolution Date but the Trust Certificates may also be redeemed before the Scheduled Dissolution Date in certain circumstances described in Condition 11 (*Capital Distributions of Trust*).

The Trust Certificates will be limited recourse obligations of the Trustee. An investment in Trust Certificates involves certain risks. For a discussion of these risks, see "Risk Factors".

Application has been made to the London Stock Exchange plc (the "**London Stock Exchange**") for the Trust Certificates to be admitted to the London Stock Exchange's International Securities Market ("**ISM**"). The ISM is not a United Kingdom ("**UK**") regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"). References in this Offering Circular to Trust Certificates being "admitted to trading" (and all related references) shall mean that such Trust Certificates have been admitted to trading on the ISM so far as the context permits.

The ISM is a market designated for professional investors. Trust Certificates admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

The Trust Certificates will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Trust Certificates will initially be represented by a global certificate in registered form (the "**Global Trust Certificate**") deposited on or before the Issue Date with, and registered in the name of the nominee of, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Trust Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Trust Certificates evidencing holdings of interests in the Trust Certificates will be issued in exchange for interests in the Global Trust Certificate only in certain limited circumstances described therein.

The Trust Certificates are expected to be assigned a rating of BB- by Fitch Ratings Limited ("**Fitch**") and a rating of B1 by Moody's Deutschland GmbH ("**Moody's**"). Arada has been assigned a long-term rating of B+ with a stable outlook by Fitch and a long-term rating of B1 with a stable outlook by Moody's. Fitch is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Fitch is not established in the European Union ("**EU**") and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**EU CRA Regulation**"). The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited. Fitch Ratings Ireland Limited is established in the EU and registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation. Moody's is established in the EU and is registered under the EU CRA Regulation. As such, Moody's is included in the list of credit rating agencies published by the ESMA on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation. Moody's is not established in the UK and has not applied for registration under the UK CRA Regulation. The ratings issued by Moody's have been endorsed by Moody's Investors Service Ltd. Moody's Investors Service Ltd. is established in the UK and is registered under the UK CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Trust Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Trust Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The transaction structure relating to the Trust Certificates (as described in this Offering Circular) has been approved by the Internal Sharia Supervisory Committee of Dubai Islamic Bank PJSC, the Emirates NBD Islamic Internal Sharia Supervision Committee, Mashreqbank psc's (acting through its Islamic Banking Division) Internal Shari'ah Supervision Committee, Sharjah Islamic Bank PJSC's Internal Shari'a Supervisory Committee and the Global Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Trust Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles. None of Arada, the Trustee, the Joint Lead Managers, the Delegate or any of the Agents makes any representation as to the *Shari'a* compliance of the Trust Certificates and/or any trading thereof.

JOINT GLOBAL CO-ORDINATORS

Dubai Islamic Bank

Emirates NBD Capital

Standard Chartered Bank

JOINT LEAD MANAGERS

Abu Dhabi Commercial Bank

Ajman Bank

Al Rajhi Capital Company

Dubai Islamic Bank

Emirates NBD Capital

Kamco Invest

Mashreqbank psc (acting through its Islamic Banking Division)

Sharjah Islamic Bank PJSC

Standard Chartered Bank

Warba Bank

The date of this Offering Circular is 6 June 2022.

IMPORTANT NOTICES

Each of the Trustee and Arada accepts responsibility for the information contained in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of the knowledge of each of the Trustee and Arada, in accordance with the facts and contains no omission likely to affect its import.

The information on the websites to which this Offering Circular refers does not form part of this Offering Circular and has not been scrutinised or approved by the UK Financial Conduct Authority (the "FCA").

None of the Joint Lead Managers (each as specified under "*Overview of the Offering*"), the Agents (as defined in the "*Terms and Conditions of the Trust Certificates*") or the Delegate (as specified under "*Overview of the Offering*") or their respective affiliates have independently verified the information contained herein. Accordingly, none of the Joint Lead Managers, the Agents, the Delegate or their respective affiliates accepts any responsibility or liability for and makes no representation, warranty or undertaking, express or implied, as to: (a) the accuracy or completeness of the information contained in this Offering Circular; (b) any acts or omissions of the Trustee, Arada or any other person in connection with this Offering Circular or the issue and offering of the Trust Certificates; or (c) any other information provided in connection with the Trustee, Arada, the Trust Certificates or their distribution. Each Joint Lead Manager, Agent, the Delegate and their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any other information provided by the Trustee or Arada in connection with the Trust Certificates or their distribution.

None of the Joint Lead Managers will regard any actual or prospective holders of the Trust Certificates (whether or not a recipient of this Offering Circular) as their client in relation to the offering described in this Offering Circular and will not be responsible to anyone other than the Trustee for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Offering Circular or any transaction or arrangement referred to herein.

No person is or has been authorised by the Trustee or Arada to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the issue or sale of the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by Arada, the Trustee, the Delegate, the Joint Lead Managers or any Agent.

Neither this Offering Circular nor any other information supplied in connection with the Trust Certificates: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by Arada, the Trustee, the Delegate, any Joint Lead Manager or any Agent that any recipient of this Offering Circular or any other information supplied in connection with the Trust Certificates should purchase any Trust Certificates. Each investor contemplating purchasing Trust Certificates should determine for itself the relevance of the information contained in this Offering Circular, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Trustee and Arada and its purchase of any Trust Certificates should be based upon such investigation as it deems necessary. Neither this Offering Circular nor any other information supplied in connection with the issue of the Trust Certificates constitutes an offer or invitation by or on behalf of Arada, the Trustee, the Delegate, the Joint Lead Managers or the Agents to any person to subscribe for or to purchase any Trust Certificates. None of the Joint Lead Managers, the Agents or the Delegate undertakes to review the financial condition or affairs of the Trustee or Arada during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Trust Certificates of any information coming to the attention of any of the Joint Lead Managers, the Agents or the Delegate.

Neither the delivery of this Offering Circular nor the offer, issue, sale or delivery of the Trust Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Trustee, Arada or Arada's subsidiaries and affiliates taken as a whole (the "**Group**") since the date hereof or that the information contained herein concerning the Trustee and/or Arada and/or the Group is correct as at any time subsequent to its date or that any other information supplied in connection with the offering of the Trust Certificates is correct as at any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Trustee, Arada or the Group during the life of the Trust Certificates or to advise any investor in the

Trust Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Trust Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Trust Certificates may be restricted by law in certain jurisdictions. Arada, the Trustee, the Delegate, the Joint Lead Managers and the Agents do not represent that this Offering Circular may be lawfully distributed, or that any Trust Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Arada, the Trustee, the Delegate, the Joint Lead Managers or the Agents, which is intended to permit a public offering of any Trust Certificates or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Trust Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Trust Certificates. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Trust Certificates in the United States, the UK, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), the Cayman Islands, the United Arab Emirates (the "UAE") (excluding the Dubai International Financial Centre (the "DIFC") and the Abu Dhabi Global Market (the "ADGM")), the DIFC, the ADGM, the State of Kuwait, Hong Kong, Singapore and Malaysia (see "*Subscription and Sale*").

No comment is made or advice given by Arada, the Trustee, the Delegate, the Joint Lead Managers or the Agents in respect of taxation matters relating to any Trust Certificates or the legality of the purchase of Trust Certificates by an investor under applicable or similar laws.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, BUSINESS ADVISER AND SHARI'A ADVISER AS TO TAX, LEGAL, BUSINESS, SHARI'A AND RELATED MATTERS CONCERNING THE PURCHASE OF TRUST CERTIFICATES.

The Trust Certificates are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Trust Certificates which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Trust Certificates will perform under changing conditions, the resulting effects on the value of such Trust Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The Trust Certificates may not be a suitable investment for all investors. Generally, investment in emerging markets such as the UAE is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Each potential investor in Trust Certificates must determine the suitability of an investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Trust Certificates and the complex structure thereof, the merits and risks of investing in the Trust Certificates and the information contained in this Offering Circular or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Trust Certificates and the impact the Trust Certificates will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Trust Certificates, including where the currency of payment is different from the potential investor's currency;

- understands thoroughly the terms of the Trust Certificates and is familiar with the behaviour of any relevant indices and financial markets;
- is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks; and
- is able to evaluate the compliance of the Trust Certificates with *Shari'a* principles.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Trust Certificates are legal investments for it; (2) the Trust Certificates can be used as collateral for various types of financing; and (3) other restrictions apply to its purchase or pledge of any Trust Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Trust Certificates under any applicable risk-based capital or similar rules.

None of the Trustee, Arada, the Joint Lead Managers, the Delegate or any Agent makes any representation to any investor in the Trust Certificates regarding the legality of its investment under any applicable laws. Any investor in the Trust Certificates should be able to bear the economic risk of an investment in the Trust Certificates for an indefinite period of time.

UK MiFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Trust Certificates has led to the conclusion that: (a) the target market for the Trust Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in UK MiFIR; and (b) all channels for distribution of the Trust Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (a) engaging in proprietary trading; (b) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (c) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Trust Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Trust Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Trust Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Trust Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Trust Certificates, and accordingly none of Arada, the Trustee, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding: (i) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes); or (ii) the ability of any purchaser to acquire or hold the Trust Certificates, now or at any time in the future.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Trust Certificates issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors (each as defined by the Central Bank of Bahrain (the "**CBB**")) in the Kingdom of

Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Trust Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or any related offering documents and it has not in any way considered the merits of the Trust Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Trust Certificates will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF THE SULTANATE OF OMAN

The information contained in this Offering Circular does not constitute a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of the Sultanate of Oman (Royal Decree 18/19, as amended) (the "**Commercial Companies Law**") or Article 3 of the Capital Market Law of the Sultanate of Oman (Royal Decree 80/98, as amended) nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Oman Capital Market Authority (CMA Decision 3/2016). This Offering Circular will only be made available to investors in the Sultanate of Oman in accordance with Article 139 of the Executive Regulations of the Capital Market Law (CMA Decision 1/2009, as amended) (the "**Executive Regulations**") by an entity duly licensed by the Oman Capital Market Authority to market non-Omani securities in the Sultanate of Oman.

This Offering Circular has not been (and will not be) filed with the Capital Market Authority of the Sultanate of Oman (except in accordance with Article 139 of the Executive Regulations), the Central Bank of Oman or any other regulatory authority in the Sultanate of Oman and neither the Oman Capital Market Authority nor the Central Bank of Oman assumes responsibility for the accuracy and adequacy of the statements and information contained in this Offering Circular and shall not have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

KINGDOM OF SAUDI ARABIA NOTICE

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the Trust Certificates should conduct their own due diligence on the accuracy of the information relating to the Trust Certificates. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Trust Certificates will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Trust Certificates are not and will not be traded on the Qatar Stock Exchange. The Trust Certificates and interests therein will not be offered to investors domiciled or

resident in Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to any member of the public in the Cayman Islands to subscribe for the Trust Certificates and this Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for the Trust Certificates.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE

In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as amended or modified from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Trust Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE TRUST CERTIFICATES, STANDARD CHARTERED BANK (THE "STABILISATION MANAGER") (OR ANY PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TRUST CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE TRUST CERTIFICATES. ANY STABILISATION ACTION MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Historical financial statements

The financial statements relating to the Group and included in this Offering Circular are:

- the audited consolidated financial statements as at and for the year ended 31 December 2021, including comparative financial information as at and for the year ended 31 December 2020 (the "**2021 Financial Statements**"); and
- the audited consolidated financial statements as at and for the year ended 31 December 2020, including comparative financial information as at and for the year ended 31 December 2019 (the "**2020 Financial Statements**") and, together with the 2021 Financial Statements, the "**Financial Statements**").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("**IFRS**") and applicable requirements of UAE law.

Arada's financial year ends on 31 December and references in this Offering Circular to "**2021**", "**2020**" and "**2019**" are to the 12 month period ending on 31 December in each such year.

Auditors and unaudited information

The Financial Statements have been audited by KPMG Lower Gulf Limited, in accordance with International Standards on Auditing, who have issued unqualified reports on the Financial Statements.

The audit report on the 2020 Financial Statements contains the following emphasis of matter:

"Emphasis of Matter – Estimation Uncertainty related to the valuation of properties

We draw attention to Note 30(vi) of the consolidated financial statements, which describes the estimation uncertainty in the assessment of valuation of the properties due to impact of Covid-19 pandemic. Our opinion is not modified in respect of this matter."

Certain financial information in this Offering Circular contained in *"Selected Financial Information – Selected alternative performance measures"* is unaudited financial information which has been extracted without material adjustment from the accounting records of the Group which form the underlying basis of the Financial Statements. This information also constitutes alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures ("**APMs**"). None of this financial information is subject to any audit or review by independent auditors.

EBITDA

The Group's APMs included in this Offering Circular are Adjusted EBITDA, gross profit margin and net profit margin, which are not measures of financial performance under IFRS. In determining EBITDA, the Group adds back to profit for the year the following items:

- finance cost; and
- depreciation and amortisation,

and subtracts finance income from profit for the year.

The Group then makes adjustments in respect of its property valuation gains and losses to determine Adjusted EBITDA, as these gains and losses do not form part of the operational cash flow generated by the business.

Arada believes that the presentation of these APMs is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, these APMs should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Group's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group's industry, may calculate these APMs differently from the Group. As all companies do not calculate these APMs in the same manner, the Group's presentation of these APMs may not be comparable to other similarly titled measures of other companies. See further *"Selected Financial Information – Selected alternative performance measures"*.

Some of the limitations of using Adjusted EBITDA as a financial measure are:

- it does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, the Group's working capital needs; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacement.

For a reconciliation of reported profit for the year to Adjusted EBITDA for each of 2021, 2020 and 2019, see *"Selected Financial Information"*.

Presentation of Other Information

Currencies

Unless otherwise indicated, in this Offering Circular, all references to:

- **"dirham"** and **"AED"** are to the lawful currency of the United Arab Emirates; and
- **"U.S. dollars"** and **"U.S.\$"** are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in dirham. The Group's functional currency is dirham and the Group prepares its financial statements in dirham.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00.

Third party data

This Offering Circular contains information regarding the Group's business and the industry in which it operates and competes, which the Group has obtained from third party sources. Where third party information has been used in this Offering Circular, the source of such information has been identified.

Statistical information relating to the UAE included in this Offering Circular has been derived from official public sources, including the Federal Competitiveness and Statistics Centre. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased the Trust Certificates.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

Arada's website is www.arada.com. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

Definitions

In this Offering Circular:

- **"Sharjah"** means the Emirate of Sharjah;
- **"GCC"** means the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE); and
- **"MENA region"** means the region comprising the Middle East and North Africa.

Rounding

The Financial Statements present the Group's results in AED. Certain financial statement data in this Offering Circular has been expressed in thousands, millions or billions of AED. As a result of such rounding, the totals of financial statement data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

In addition, all percentage data in this Offering Circular has been rounded to one decimal place, with 0.050 being round up.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the financial position of the Group, or the business strategy, management plans and objectives for future operations of the Group, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of the Group's Business*" and other sections of this Offering Circular. Arada has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward-looking statements are based on numerous assumptions regarding Arada's present, and future, business strategies and the environment in which Arada expects to operate in the future. Important factors that could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements are discussed under "*Risk Factors*".

Forward-looking statements speak only as at the date of this Offering Circular and, without prejudice to any requirements under applicable laws and regulations, the Trustee and Arada expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Offering Circular to reflect any change in the expectations of the Trustee or Arada or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Trustee and Arada cannot assure potential investors that projected results or events will be achieved and the Trustee and Arada caution potential investors not to place undue reliance on these statements.

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OVERVIEW OF THE OFFERING

Words and expressions defined in the "*Terms and Conditions of the Trust Certificates*" (the "**Conditions**") and elsewhere in this Offering Circular shall have the same meanings in this overview.

Description of the Trust Certificates	U.S.\$350,000,000 Trust Certificates due 2027.
Trustee	Arada Sukuk Limited, an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act (as amended). The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
Ownership of the Trustee	The issued share capital of the Trustee is comprised of 250 ordinary shares of U.S.\$1.00 par value each. All of the issued shares are fully-paid and are held by Walkers Fiduciary Limited as Share Trustee under the terms of the Share Declaration of Trust. See " <i>Description of the Trustee</i> ".
Administration of the Trustee	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the " Trustee Administrator "), who will provide, amongst other things, corporate administrative services and director services pursuant to the corporate services agreement dated 20 May 2022 and made between, <i>inter alia</i> , the Trustee and the Trustee Administrator (the " Corporate Services Agreement ").
Trustee's Legal Entity Identifier (LEI)	549300F4ZUCO6Z48KC28.
Obligor	Arada Developments LLC.
Joint Global Co-ordinators	Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC and Standard Chartered Bank.
Joint Lead Managers	Abu Dhabi Commercial Bank PJSC, Ajman Bank PJSC, Al Rajhi Capital Company, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, Kamco Investment Company K.S.C.P., Mashreqbank psc (acting through its Islamic Banking Division), Sharjah Islamic Bank PJSC, Standard Chartered Bank and Warba Bank K.S.C.P.
Delegate	The Law Debenture Trust Corporation p.l.c.
Principal Paying Agent and Transfer Agent	Citibank N.A., London Branch.
Registrar	Citibank Europe plc.
Risk Factors	There are certain factors that may affect the Trustee's ability to fulfil its obligations under the Trust Certificates and Arada's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Trust Certificates. These risks may ultimately impact the Certificateholders' ability to receive payment under the Trust Certificates. See " <i>Risk Factors</i> ".
Issue Date	8 June 2022.
Issue Price	100 per cent. of the aggregate face amount of the Trust Certificates.

Denomination of Trust Certificates	The Trust Certificates will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Periodic Distribution Dates	8 June and 8 December in each year, commencing on 8 December 2022.
Periodic Distribution Amount	Profit shall be payable in arrear in respect of the Trust Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending immediately before that date, as calculated in accordance with Condition 8 (<i>Fixed Periodic Distribution Provisions</i>).
Scheduled Dissolution Date	Unless the Trust Certificates are previously redeemed or purchased and cancelled, the Trust Certificates will be redeemed on 8 June 2027.
Form of Trust Certificates	The Trust Certificates will be issued in registered form only as described in "<i>Global Trust Certificate</i>". The Trust Certificates will be represented on issue by ownership interests in a Global Trust Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Trust Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Trust Certificates evidencing holdings of interests in the Trust Certificates will be issued in exchange for interests in the Global Trust Certificate only in limited circumstances described under "<i>Global Trust Certificate</i>". Certificateholders must hold their interest in the Global Trust Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.
Status of the Trust Certificates	Each Trust Certificate evidences an undivided ownership interest of the Certificateholders in the Trust Assets subject to the terms of the Declaration of Trust and the Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Trust Certificate will rank <i>pari passu</i> , without any preference or priority, with all other Trust Certificates.
Trustee Covenants	The Trustee has agreed to certain restrictive covenants. See Condition 7 (<i>Trustee Covenants</i>).
Obligor Covenants	Arada has agreed to certain covenants, including a negative pledge. See Condition 5 (<i>Obligor Covenants</i>).
Dissolution Events	Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed on the Dissolution Event Redemption Date at the Dissolution Event Amount. See Condition 15 (<i>Dissolution Events</i>).
Early Dissolution for Tax Reasons	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Trust Certificates pursuant to Condition 13 (<i>Taxation</i>) or Arada has or will become obliged to pay any additional amounts in respect of amounts payable pursuant to any Transaction Document to

which it is a party as a result of a change in the laws of a Relevant Jurisdiction and where such obligation cannot be avoided by the Trustee or Arada, as applicable, taking reasonable measures available to it, the Trustee shall, upon receipt of an exercise notice from Arada pursuant to the Sale and Substitution Undertaking, redeem the Trust Certificates in whole but not in part at the Tax Dissolution Amount on the relevant Dissolution Date in accordance with Condition 11.2 (*Early Dissolution for Tax Reasons*).

Partial Loss Event

If a Partial Loss Event shall occur with respect to any of the Lease Assets and provided that: (a) the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, and a notice of termination of the lease on the 61st day after the Partial Loss Event Date (a "**Partial Loss Termination Notice**") has been delivered by the Lessee to the Lessor within a period of 30 days after the Partial Loss Event Date; or (b) the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, without prejudice to any right or remedy that the Lessor may have under any Transaction Document or by law, the Lease shall automatically terminate on the 61st day after the Partial Loss Event Date and further rental payments shall cease to be due under the Lease Agreement on such 61st day after the Partial Loss Event Date in accordance with the Lease Agreement and the Lessor will be entitled to all proceeds of the insurances payable as a result of the Partial Loss Event. The termination of the Lease on the 61st day after the Partial Loss Event Date as a result of either of the circumstances described in (a) or (b) above shall constitute an Arada Event as defined in Condition 15 (*Dissolution Events*).

Dissolution following a Total Loss Event

If a Total Loss Event (as defined herein) occurs and unless the Lease Assets are replaced in accordance with the Servicing Agency Agreement by no later than the 60th day after the occurrence of a Total Loss Event, the lease shall automatically terminate on the date of occurrence of the Total Loss Event (and further payments of rental shall cease to accrue on such date) in accordance with the Lease Agreement and the Trustee shall redeem the Trust Certificates on the 61st day after the occurrence of such Total Loss Event (being the Total Loss Dissolution Date) in accordance with Condition 11.3 (*Dissolution following a Total Loss Event*).

Upon the occurrence of a Total Loss Event and from the date of the Trading Notice and until any further notice from the Trustee stating otherwise, in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis).

Tangibility Event Put Right

If a Tangibility Event occurs, Certificateholders may, in the circumstances set out in Condition 11.4 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) exercise their right to redeem their Trust Certificates on any Tangibility Event Put Right Date at the Tangibility Event Dissolution Amount by delivering a Tangibility Event Put Notice within the Tangibility Event Put Period, subject to and in accordance with Condition 11.4 (*Dissolution at the*

Option of the Certificateholders (Tangibility Event Put Right)).

On the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange (if any) on which the Trust Certificates have been admitted to trading.

Change of Control Put Right

Upon the occurrence of a Change of Control and provided that a Change of Control Notice has been received by the Trustee in accordance with Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*), Certificateholders may elect to redeem their Trust Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Amount in accordance with Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

A "**Change of Control**" shall occur if at any time any person other than H.R.H. Prince Khalid Bin Alwaleed Bin Talal Alsaud or H.R.H. Sheikh Sultan bin Ahmed Al Qasimi or their respective lineal descendants acquires, directly or indirectly, more than 50 per cent. of the issued share capital of Arada.

Clean Up Call Right

If 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to Condition 11 (*Capital Distributions of Trust*) or Condition 12 (*Purchase and Cancellation of Trust Certificates*), the Trustee shall, upon receipt of an exercise notice from Arada in accordance with the Sale and Substitution Undertaking, redeem the Trust Certificates in whole but not in part, at the Clean Up Call Right Dissolution Amount on the Clean Up Call Right Dissolution Date, subject to and in accordance with Condition 11.6 (*Dissolution at the Option of Arada (Clean Up Call Right)*).

Substitution of Lease Assets

Pursuant to the Sale and Substitution Undertaking, Arada may, at any time, exercise its right to require the Trustee to substitute on any Substitution Date some or all of the Lease Assets with New Assets (as specified in the relevant Substitution Notice, and each as defined in the Sale and Substitution Undertaking) having a value which is equal to or greater than the value of the relevant Lease Assets being substituted.

Taxation

All payments in respect of Trust Certificates shall be made in U.S. dollars without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction, unless the withholding or deduction is required by law. In that event, the Trustee shall, save in the limited circumstances provided in Condition 13 (*Taxation*), be required to pay such additional amounts as will result in the receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required.

All payments by Arada (in any capacity) under the Transaction Documents to which it is a party shall be made

in U.S. dollars without set-off or counterclaim of any kind and free and clear of, and without any deduction or withholding for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, Arada shall pay such additional amounts as will result in the receipt by the Trustee or the Delegate (as applicable) of such amounts as would have been received by it had no such deduction or withholding been required.

Certificateholder Meetings

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Certificateholders; Modification*).

Transaction Documents

The "**Transaction Documents**" are the Declaration of Trust, any Supplemental Declaration of Trust, the Agency Agreement, the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement, the Servicing Agency Agreement, the Sale and Substitution Undertaking, the Purchase Undertaking, any Sale Agreement and the Murabaha Agreement (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement).

Governing Law and Dispute Resolution

The Trust Certificates shall be governed by, and construed in accordance with, English law.

Each Transaction Document (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement), and any non-contractual obligations arising out of or in connection with any such Transaction Document, shall be governed by, and construed in accordance with, English law. In respect of any dispute under any such Transaction Document to which it is a party, Arada has agreed to arbitration in London under the rules of arbitration of the London Court of International Arbitration ("**LCIA**") (with the seat in London). Arada has also agreed to submit to the exclusive jurisdiction of the courts of England at the option of the Trustee or the Delegate (as the case may be), in respect of any dispute under the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement), subject to the right of the Trustee or the Delegate (as the case may be) to require any dispute to be resolved by any other court of competent jurisdiction.

The Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and each Sale Agreement will be governed by the laws of the Emirate of Sharjah and, to the extent applicable in the Emirate of Sharjah, the federal laws of the UAE, and will be subject to the exclusive jurisdiction of the Sharjah courts, subject to the right of the Trustee or the Delegate (as the case may be) to require any dispute to be resolved by any other court of competent jurisdiction.

Waiver of Immunity

Arada has agreed in the Transaction Documents to which it is a party that to the extent that it may claim, in any

jurisdiction, for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any jurisdiction to it or its assets or revenues, it shall not claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws of such jurisdiction in relation to any proceedings or disputes.

Limited Recourse

Each Trust Certificate represents solely an undivided ownership interest in the Trust Assets. No payment of any amount whatsoever shall be made in respect of the Trust Certificates except to the extent that funds for that purpose are available for the Trust Assets. See Condition 4.2 (*Limited Recourse*).

Admission to Trading

Application has been made to the London Stock Exchange for the Trust Certificates to be admitted to the ISM with effect from the Issue Date.

The ISM is not a UK regulated market for the purposes of UK MiFIR. The ISM is a market designated for professional investors. Trust Certificates admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Ratings

Upon issue, the Trust Certificates are expected to be assigned a rating of BB- by Fitch and a rating of B1 by Moody's.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Selling Restrictions

There are restrictions on the distribution of this Offering Circular and the offer or sale of Trust Certificates in the United States, the UK, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), the Cayman Islands, the UAE (excluding the DIFC and the ADGM), the DIFC, the ADGM, the State of Kuwait, Hong Kong, Singapore and Malaysia. See "*Subscription and Sale*".

Use of Proceeds

The net proceeds of the Trust Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents on the relevant Issue Date in the following proportion: (a) not less than 55 per cent. of the aggregate face amount of the Trust Certificates towards the purchase from Aljada Developments LLC and Masaar Developments LLC of all of their respective rights, title, interests, benefits and entitlements in, to and under the Assets pursuant to the Purchase Agreement; and (b) the remaining (being not more than 45 per cent. of the aggregate face amount of the Trust Certificates) towards the purchase of commodities to be subsequently sold to Arada pursuant to the Murabaha Agreement.

The proceeds received by Arada in consideration for the transactions entered into with the Trustee as set out above will be applied by Arada to settle existing financings and for its general corporate purposes.

RISK FACTORS

An investment in the Trust Certificates involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Offering Circular, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties related to the Trustee, Arada and the Trust Certificates. Additional risks and uncertainties not presently known, or currently believed to be immaterial, could also impair the Trustee's ability to make payments on the Trust Certificates. If any of the following risks actually materialise, the financial condition and prospects of the Trustee and/or Arada could be materially adversely affected. If that were to happen, the trading price of the Trust Certificates could decline, and investors may lose all or part of their investment. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. Words and expression defined elsewhere in this Offering Circular (including in the Terms and Conditions) shall have the same meanings in this section.

Risk Factors Relating to the Trustee

Factors that may affect the Trustee's ability to fulfil its obligations under or in connection with the Trust Certificates

The Trustee has limited operating history and no material assets and will depend on receipt of payments from Arada to make payments to Certificateholders

The Trustee was incorporated under the laws of the Cayman Islands on 9 March 2022 as an exempted company with limited liability. The Trustee has not and will not engage in any business activity other than the issuance of the Trust Certificates, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents. Because the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including the obligation of Arada to make payments to the Trustee under the Transaction Documents to which it is a party. Therefore, the Trustee is subject to all the risks to which Arada is subject to the extent that such risks could limit Arada's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on Trust Certificates will therefore be dependent upon receipt by the Trustee from Arada of amounts to be paid pursuant to the Transaction Documents (which may not be sufficient to meet all claims under the Trust Certificates and the Transaction Documents). As a result, the Trustee is subject to all the risks to which the Group and its business are subject, as described below, to the extent such risks could limit Arada's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party.

Recourse to the Trustee in respect of the Trust Certificates is limited to the Trust Assets; see "*Risk Factors Relating to the Trust Certificates – The Trust Certificates are limited recourse obligations*".

Risk Factors Relating to the Group's Business and Arada's Ability to Fulfil its Obligations under the Transaction Documents

The concentration of the Group's property portfolio exposes it to fluctuations in demand for residential real estate in the UAE

All of the Group's developed property and property under construction is located in Sharjah and it is also in the process of purchasing a plot of undeveloped land in Dubai. As an increasing number of real estate developments are launched and reach completion in Sharjah, the number of residential properties available in the Sharjah market may exceed the demand for such properties, leading to saturation. If the Sharjah property market were to become saturated, or demand for residential properties in Sharjah were to decline or to be lower than expected, the Group might have to sell its properties at reduced prices, or at a loss, or may not be able to sell them at all. In addition, a large portion of the Group's customers purchase properties as investments, generally with a view to selling them for profit or leasing them for rental income. Any perceived or actual oversupply of residential properties in Sharjah for sale may result in potential customers experiencing difficulty selling properties purchased from the Group, either for an expected profit or at all.

In addition, any perceived or actual over supply of residential rental properties in Sharjah, or a decrease in demand for rental properties, may cause rental rates to decline. This could result in a decrease in demand for the Group's properties from customers who expect to receive revenue from the part- or full-time rental of their properties. To the extent that the Group launches new projects in other UAE markets in the future, similar considerations would apply.

As at 31 December 2021, the Group's sales backlog (determined as the value of units that have been sold but not yet recognised as revenue under IFRS) was AED 3,378 million and the Group is scheduled to deliver 6,456 residential units over the next two years. There can be no assurance that the Group's sales backlog will be realised or that there is sufficient demand in the Sharjah residential real estate market to absorb all of the residential units that the Group will deliver at the prices it anticipates or at all. As the Group's revenue is currently derived almost entirely from the sale of residential units in Sharjah, any adverse change in demand for residential units for the reasons set out above or otherwise could have a material adverse effect on the Group's business, financial condition and results of operations.

All of the Group's completed and under development property portfolio is located in Sharjah, and the Group's financial performance is therefore dependent on economic and political conditions in Sharjah, the UAE and the surrounding regions

All of the Group's completed and under development projects are located in Sharjah. Consequently, the Group's business, results of operations and financial condition could be adversely affected by changes in economic, political or social conditions in Sharjah, the UAE and the surrounding regions.

The economies of the UAE and Sharjah were adversely affected in 2020 by the COVID-19 pandemic, see "*The Group was adversely affected by the measures taken in response to the COVID-19 pandemic*" below. Although growth is expected to have recovered in 2021, for example in its October 2021 World Economic Outlook Database, the International Monetary Fund noted that the UAE's real gross domestic product (GDP) had increased by 3.4 per cent. in 2019, declined by 6.1 per cent. in 2020 and was expected to increase by 2.2 per cent. in 2021, there can be no assurance that economic growth or performance in Sharjah or the UAE, in general, will be sustained. The UAE, as well as many of the GCC countries from which the Group sources its customers, depend in particular on revenue from oil and oil products, the prices of which were materially adversely affected in 2020 and have generally been volatile, with current pricing levels well below historic highs. In addition, the economies of the UAE and Sharjah are heavily dependent upon expatriate workers, who have also historically constituted a significant portion of Arada's customers. If the economies of the UAE or Sharjah suffer another decline, or if government intervention fails to support or otherwise restricts or limits the economic growth of the expatriate or general real estate investment community in the UAE or Sharjah, the Group's business, results of operations and financial condition could be adversely affected.

The property and construction markets in the UAE, in particular, are affected by macroeconomic factors that are beyond the Group's control, such as real estate market conditions generally, changes in interest rates, consumer spending, inflation rates, real estate taxes, and the availability and cost of financing. The real estate markets in the UAE have also experienced significant levels of volatility following the global financial crisis. There can be no assurance that the current demand and pricing levels for real estate in Sharjah will persist. In addition, the governments of a number of emirates in the UAE have incurred significant deficits and reduced their development expenditure in light of the COVID-19 pandemic and any failure to reduce the deficits and resume previous levels of development expenditure in future years could generate a negative perception of the UAE's development prospects generally and its real estate markets in particular. Any resulting decrease in demand or pricing could cause the Group's financial performance to deteriorate.

While the UAE is currently seen as a relatively stable political environment, certain other jurisdictions in the Middle East have experienced political instability and there is no guarantee that political stability in the UAE will continue in the future. In particular, since early 2011 there has been political unrest in a range of countries in or proximate to the MENA region, including Syria, Iraq, Egypt, Turkey, Bahrain, Algeria, Libya, Iran, Lebanon, Jordan, Tunisia and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict and civil war, has led to the collapse of political regimes in Tunisia, Egypt and Libya, civil war in Syria and Yemen and armed insurrection in Iraq and has given rise to significantly increased political uncertainty across the region. More recently, Al Houthi rebels in Yemen have launched missile and drone attacks aimed at targets in Saudi Arabian and the UAE, there have been tensions between the United States and Iran and there have been maritime incidents in the Straits of Hormuz.

Continuing instability and unrest in the MENA region may significantly affect the UAE and Sharjah. Although the UAE has not been directly affected by the unrest in the MENA region to date, it is unclear what impact this unrest could have on the regional economy, levels of foreign direct investment in the UAE and Sharjah's attractiveness as a residential destination. The occurrence of any or all of these factors could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group was adversely affected by the measures taken in response to the COVID-19 pandemic

The macroeconomic environment (both globally and within the UAE) was materially adversely affected in 2020 by the novel coronavirus disease, COVID-19, which was first identified in China in late 2019.

The virus spread rapidly, infecting people and causing a substantial number of deaths around the world leading the World Health Organisation to declare the outbreak a global pandemic on 11 March 2020. Almost all countries that were significantly affected, including the UAE, introduced measures to try to contain the spread of the virus, including border closures and restricting the movement of their citizens. The measures resulted in the temporary closure of numerous businesses in those countries and widespread job losses.

Although some countries have removed all measures imposed, border restrictions and other preventative measures continue in a number of countries and it remains unclear how long restrictions will be in place in these countries or whether restrictions will be re-imposed in response to further variants of the virus being identified.

The Group principally operates in the real estate sector in Sharjah. The Group's business was adversely impacted by COVID-19 in 2020 and, to a lesser extent, in 2021, principally through the impact of the lockdown imposed in April and May 2020 which resulted in an immediate shift to working from home, slowing site activity due to the inability of contractor teams to move between emirates and obstructions in the supply chain for building materials.

The Group may continue to be impacted by COVID-19 through:

- any new measures imposed both in the UAE and abroad in response to new variants identified, particularly to the extent that they impact the real estate sector or demand for residential property in the UAE; and
- its impact on the UAE's economy and government expenditure, which may continue to be felt for some time.

The continued success of the Group's business is dependent in part upon the wealth of domestic and international investors, as well as the continued appeal of Sharjah and the UAE as real estate investment markets

The Group's business is dependent on the levels of disposable income and investment capital of individuals in the UAE who accounted for 50.2 per cent. of its sales of residential units by value in 2021. In addition, the Group benefits from a strong base of repeat customers, who in 2021, purchased 809 of its residential units and accounted for 32.5 per cent. of its sales of residential units by value in that year. The wealth of these individuals is affected, in part, by the performance of the international real estate, financial and consumer markets, and the deployment of their disposable income is affected by a variety of factors, including alternative investment opportunities and returns, the availability of financing, including mortgages, as well as foreign currency exposure, interest rates, inflation and tax rates. Any factors that adversely affect the wealth of residential real estate investors and/or the desirability of the Sharjah real estate market as an investment outlet for domestic and international investors could have a material adverse effect on the Group's business, financial condition and results of operations.

The due diligence process that the Group undertakes in connection with new projects may not reveal all relevant facts

Before implementing a new project, the Group conducts due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. The objective of the due diligence process is to identify attractive investment opportunities and to prepare a framework that may be used from the date of investment to drive operational performance and value creation. When conducting due diligence, the Group evaluates a number of important business, financial, tax, accounting, regulatory, environmental and

legal issues in determining whether or not to proceed with a project. Outside consultants, including legal advisers, accountants, investment banks and industry experts, are generally involved in the due diligence process in varying degrees depending on the type of project or investment. Nevertheless, when conducting due diligence and making an assessment regarding a project, the Group can only rely on resources available to it, including, in some circumstances, third party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as the Group could for information produced from its own internal sources. The due diligence process may at times be subjective and the Group can offer no assurance that any due diligence investigation it carries out with respect to any project will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by the Group to identify relevant facts through the due diligence process may mean that projected rates of return and other relevant factors considered by the Group in making investment decisions prove to be significantly inaccurate over time.

The Group's projects may be delayed, suspended, terminated or materially changed in scope, resulting in delayed recognition of revenue and damage to its reputation

There are a number of construction, financing, operating and other risks associated with property development. Due to their extensive nature, the Group's projects require considerable capital expenditure during the initial phases. The Group recognises revenue from its projects on the basis of the percentage completion of the construction process. Payments by its customers are also tied to construction milestones. Material delays in the construction process will, consequently, delay payments due from customers, as well as the revenue the Group is able to recognise. While the Group frequently experiences construction delays in the ordinary course of business and, save in the case of the delays caused by COVID-19, such delays have generally been made up in subsequent stages of a project, delays can have a significant impact on the associated timing of revenue recognition, which could lead to potentially significant fluctuations in the Group's financial results on a semi-annual basis. This is particularly true with respect to high value projects where even a small delay in construction progress can result in delays in large amounts of revenue being recognised. The time taken and the costs involved to complete construction can be adversely affected by many factors, including:

- delays in obtaining all, or refusals of any, necessary zoning, land use, building, development, occupancy and other required governmental permits, licences, approvals and authorisations (including due to new regulatory frameworks);
- unforeseen engineering, environmental or geological problems;
- the Group's inability to obtain necessary financing arrangements on acceptable terms, or at all, and otherwise fund construction and capital improvements and provide any necessary performance guarantees;
- defaults by, or the bankruptcy or insolvency of, contractors and other counterparties;
- inadequate supporting infrastructure, including as a result of failure by third parties to provide utilities and transportation and other links that are necessary or desirable for the successful operation of a project;
- design or construction defects and otherwise failing to complete projects according to design specification;
- shortages of, or defective, materials and/or equipment, labour shortages, shortages of other necessary supplies and/or disputes with contractors or sub-contractors;
- increases in the cost of construction materials (for example, raw materials such as steel and other commodities common in the construction industry (the cost of which has increased in the last 12 months as a result of logistical issues being experienced worldwide)), energy (the cost of which has also increased recently), building equipment (including, in particular, cranes), labour and/or other necessary supplies (due to rising commodity prices or inflation or otherwise);
- shortages of project managers, contractors and construction specialists, both internally and externally, to ensure that planned projects are delivered both on time and on budget;

- strikes and work stoppages or other labour disputes or disturbances affecting the Group's projects, contractors, sub-contractors or suppliers;
- the failure of contractors to meet agreed timetables, in particular with respect to more complex or technically challenging developments (for example, due to the scale, height or complex design of a development);
- adverse weather conditions, natural disasters, pandemics (such as COVID-19), accidents, force majeure events and/or changes in governmental priorities;
- increases in the supply of properties from competitors; and
- changes in demand trends due to, among other things, a shift in buyer preferences, a downturn in the economy, a change in the surrounding environment of the project, including the location or operation of transportation hubs or population density or otherwise.

Any of these factors could give rise to delays in the completion of construction and/or result in construction costs exceeding budgeted amounts. Projects subject to delays or cost overruns may take longer or fail to generate the revenue, cash flow and profit margins that were originally anticipated. In addition, the targeted return on the investment in the project may not be realised. There can be no assurance that the revenue that the Group is able to generate from its projects will be sufficient to cover the associated construction costs. The occurrence of any of the foregoing factors could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's off-plan sales model exposes it to reputational risks and liabilities

The Group's business model is based on selling a significant number of its residential units "off-plan" or in the early stages of construction. The completion of a given project is dependent on a number of factors, including macroeconomic conditions, timely delivery on the part of the Group's contractors and sub-contractors and the absence of any force majeure. If a project with pre-sale commitments from customers is delayed or cancelled, customers may bring civil claims against the Group. Even where customers have no contractual right to terminate their contract with the Group and/or to demand repayment of monies paid, if the Group fails to deliver a residential unit, under Sharjah law, a customer may seek to claim reimbursement from the Group together with interest. In addition, the Group's projects comprise master-planned destinations, which contain amenities and conveniences such as retail areas, supermarkets, clinics and medical centres, schools and parks. If substantial parts of these amenities are delayed, cancelled or changed, customers who have acquired residential units in affected developments may not be able to enjoy the services or the overall environment which they may have expected when the project was originally launched. Delays in completion or cancellation of all or a portion of a project could also adversely affect the Group's reputation and ability to attract future customers. Any of the foregoing factors could have a material adverse effect on the Group's business, results of operations and financial condition.

Real estate valuation is inherently subjective

The Group performs valuations of its property portfolio in connection with the preparation of its annual financial statements. These valuations are conducted annually by an independent professionally qualified valuation firm with experience in property valuations in the locations and segments of the properties being valued and comply with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. The Group's property valuations provide a hypothetical value of its properties, based on the assumptions made therein which are not confirmed or investigated by the valuer or any other third party. These assumptions include, among others, special assumptions relating to the status of title, encumbrance of interests and the estimated timing of completion of infrastructure works. Any valuations of the Group's properties stated in this Offering Circular may exceed the value that could be obtained in connection with a concurrent sale of the properties.

The Group's properties are inherently difficult to value. Factors such as changes in regulatory requirements and applicable laws (including in relation to building and environmental regulations, taxation and planning), political conditions, the condition of financial markets and real estate markets, the financial condition of customers, potential adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. The judgement of the Group's management and its valuers significantly impacts the determination of the value of its properties. As a result, any valuations contained in this Offering Circular are subject to substantial uncertainty and are made on the basis of assumptions

which may not be correct. No assurance can be made that the valuations of the Group's properties will reflect actual sale prices, even where any such sale occurs shortly after the relevant valuation date. Neither should the valuations be taken as an indication of the availability of financing for the potential sale of any of the Group's properties or an indication of continuing demand for any of its properties. Significant differences between valuations and actual sales prices could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, a key component of determining the value of a property is based on the assessment by management and the valuer of real estate market conditions in Sharjah. The Sharjah real estate market is in turn affected by many factors such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Group's control and may adversely impact projects after their most recent valuation date. As a result, any material decline in the real estate market in Sharjah could have a material adverse effect on the Group's business, results of operations and financial condition.

Real estate investments are illiquid

Because real estate investments are generally illiquid, and due to the cyclical nature of real estate markets, the Group's ability to promptly sell one or more of its projects in response to changing political, economic, financial and investment conditions is limited. The real estate market is affected by many factors that are beyond the Group's control. In addition, to the extent that the Group requires third-party funding to develop its projects, the Group may be required to grant a mortgage over certain projects, or parts thereof, to secure its payment obligations, which could preclude the Group from selling such projects or affected residential units in the event of a default under such financing arrangements. There can be no assurance that the sale of units in any of the Group's projects will be at a price which reflects the most recent valuation of the relevant project, particularly if the Group is forced to sell in adverse economic conditions. Any of these factors, alone or in combination, could have a material adverse effect on the Group's real estate portfolio, which could in turn have a material adverse effect on its business, results of operations and financial condition.

The Group faces competition in property development

The Group faces competition for the development of real estate from numerous other property developers operating in the UAE. Competition may affect the Group's ability to sell the residential units in its projects at expected prices, if at all. The Group's competitors may lower their pricing for comparable developments, which could result in downward pricing pressure. In addition, certain of the Group's competitors are supported in differing degrees by the governments of various emirates in the UAE. The Group also faces the risk that competitors may anticipate and capitalise on certain potential investment opportunities in advance of the Group doing so. Increased competition may also increase the Group's costs of financing, materials, contractors and sub-contractors. Reflecting its relatively recent incorporation, many of the Group's competitors have greater financial, technical, marketing or other resources, including in some cases significant land banks, and greater geographical diversity in their operations and, therefore, may be able to withstand increased costs, price competition and volatility more successfully. Any oversupply or increase in competition in the Group's market could have a material adverse effect on the Group's business, results of operations and financial condition.

Property developers may also consolidate to achieve economies of scale. If consolidation in the UAE real estate markets were to occur, there is a risk that the Group would have to operate in a more competitive market place and against larger competitors. Furthermore, given economic downturns in recent years, investors may seek to diversify their investments and re-examine the robustness of various real estate markets in the region, which may result in reduced demand for the Group's developments. These circumstances could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business depends on its ability to successfully develop its projects and manage its growth

The Group's business plan envisages the completion of existing projects, the launch of new projects both in Sharjah and elsewhere in the UAE and the diversification of its revenue through the ownership and either operation or leasing of assets in its master-planned destinations such as schools, retail concepts, hotels and entertainment facilities.

The successful implementation of its strategy will require the Group to maintain its leadership position in the Sharjah residential real estate market and, over time, establish a strong position in the wider UAE residential real estate markets, actively managing its projects to deliver value for customers, preserving positive working relationships with its joint venture partners and other counterparties and maintaining its sound financial position. Successful development of current and future projects will depend significantly on the Group's ability to complete milestones on time and within budget and on the availability of adequate external financing or cash in hand. As at 31 December 2021, the Group had a sales backlog of AED 3,378 million and expects to deliver 6,456 residential units over the next two years. There can be no assurance that the Group's sales backlog will be realised in full, or that it will deliver all of the planned residential units on time or sell them at expected margins. In addition, while the Group plans to acquire additional land and launch future projects, and there can be no assurance that land will always be available at prices that are attractive to the Group or that any announced projects will be developed within the Group's expected timeframe or at all.

The Group's master-planned destinations take a substantial amount of time to complete, from the initial master planning phase to the completion of construction, and the Group's ability to make changes to its development plans in response to changing consumer tastes and preferences is limited. While the Group's projects cover a wide range of residential property options, including villas, townhouses and mid- and high-rise apartments, with a variety of community amenities, there can be no assurance that they will remain attractive to prospective customers. In addition, the Group's communities are anchored around retail and entertainment complexes. If these complexes are not viewed positively within the communities in which they are situated because of the existence of better facilities elsewhere in Sharjah or their mix of retail, entertainment and other amenities, the attractiveness of the Group's communities to prospective purchasers could also decrease, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group has expanded rapidly since 2017 in terms of residential units delivered in its projects and it has ambitious plans to diversify its revenue in the coming years. Management of growth requires, among other things, the Group's continued application of stringent control over financial systems and operations, the continued development of management controls, the hiring and training of new personnel and continued access to funds to finance the growth. It also may increase costs, including the cost of recruiting, training and retaining a sufficient number of professionals and the cost of compliance arising from exposure to additional activities and jurisdictions.

These challenges will increase as the Group launches new projects and continues to expand into new businesses. As the Group expands its operations, it may become subject to legal uncertainties or regulations to which it is not currently subject or from which it is currently exempt, which may lead to greater exposure to risk or higher compliance costs. There can be no assurance that the Group's existing systems and resources will be adequate to support the growth of its operations.

The Group's revenue diversification strategy may not be successful

The Group's business activity is currently focused on real estate development in Sharjah and to date the Group's revenue has been almost entirely derived from the sale of residential properties developed by it. One element of the Group's strategy aims to diversify its revenue streams through the generation of recurring revenue both from elements of its projects and through new businesses. For example, the Group has constructed and leased a school at its Aljada project and is planning two further schools, it has agreed with Emaar Hospitality group to build three hotels at its Aljada project which will be owned by the Group and operated on its behalf by Emaar Hospitality, and it is building a portfolio of retail assets and owns and leases 118 retail units, which were 77 per cent. occupied as at 31 December 2021. The Group also established Wellfit in October 2020 which currently operates two fitness centres, as well as food trucks in Aljada and a farmers market which currently operates in four locations (including Nasma and Aljada).

These businesses together generated revenue of AED 9 million in 2021, equal to 0.7 per cent. of the Group's total revenue of AED 1,293 million in that year. Although the Group expects to increase its recurring revenue significantly over time as it constructs and leases further schools, builds more hotels, leases more retail space and develops further retail and entertainment concepts, there can be no assurance that these businesses will all prove successful or that the recurring revenue it generates will not be adversely affected by adverse economic conditions or other factors, such as, a recurrence of the COVID-19 pandemic or a new coronavirus pandemic.

The Group relies on experienced third-party contractors and sub-contractors to construct its projects

All construction activities associated with the Group's projects are undertaken by third-party contractors and sub-contractors. While the Group has historically had access to experienced contractors there can be no guarantee that it will continue to have such access in the future, or that the costs associated with hiring experienced contractors will not increase due to higher levels of competition for their services or otherwise. Furthermore, the Group's property developments are complex, and in addition to its reliance on the main contractors who oversee their construction and assist in elements of the design and planning process, the Group is also dependent on access to numerous specialist sub-contractors to complete its projects in accordance with its high standards. Accordingly, there can be no assurance that the quality of construction of the Group's completed and ongoing projects will be maintained on its future projects, particularly if the Group has difficulty accessing the specialist sub-contractors that it requires and especially in light of recent bankruptcies or defaults of contractors and sub-contractors. Although the Group believes that it has a strong reputation for developing high quality projects, any difference in the quality of construction from project to project could adversely affect the Group's brand and have a material adverse effect on its business, results of operations or financial condition.

The Group's contractors typically provide a one-year warranty on their workmanship and generally remain liable for structural defects for a period of 10 years. The contractors are also required to provide extended warranties or manufacturer warranties on certain mechanical, electrical and plumbing equipment, which may vary from two to five years in length. The Group, in turn, typically offers its customers a one-year warranty on the workmanship in their residential unit and all extended warranties or manufacturer warranties it has received from the contractors and generally remains liable for structural defects for a period of 10 years. If a contractor defaults on its warranty or liability in relation to the correction of a workmanship-related or structural defect which is discovered during the relevant period, the Group may not be able to locate another suitably qualified contractor to rectify the defect in a timely manner or at all and may not be able to recover the cost of any repairs from the defaulting contractor. Furthermore, if a significant number of customers encounter workmanship or structural defects and these are not rectified in a timely and satisfactory manner, the Group's reputation may be adversely affected, which could have a material adverse effect on its business, results of operations and financial condition.

The Group has experienced and may continue to experience contract prices that exceed its original budgets which may affect the profitability of its developments

There have been significant increases in commodity and other prices driven by both supply chain disruptions caused by the COVID-19 pandemic and increased international uncertainty driven by Russia's invasion of Ukraine in February 2022. For example, freight costs continue to increase which has driven up the prices of imported materials and equipment, higher gas supply and other raw material prices have resulted in increased prices of finished materials, a limited number of pre-cast contractors has resulted in higher prices for precast elements and copper and steel prices continue to rise which is driving up the price of related construction materials and finished equipment. Particularly if prices remain high for an extended time and the Group is unable to pass on these increases in full to its customers, this is likely to adversely affect the Group's profitability and margins in future periods.

If the Group's contractors' relationships with their employees deteriorate, the Group may be faced with labour shortages or stoppages, which could adversely affect its ability to develop its projects

The Group's projects may in the future, be impacted by strikes and work stoppages by its contractors' employees. The contractors that the Group engages for the construction of its projects source the majority of their workers from countries outside of the UAE using recruitment agencies. In recent years, the policies and practices with respect to the recruitment, compensation and treatment of construction workers in the UAE and other GCC countries has come under increased scrutiny. While the Group seeks to impose standards for the compliance with all relevant laws and regulations by its contractors through the Group's agreements with them, the treatment and status of their workers is ultimately outside of the Group's control. The Group's contractors' relations with their employees could deteriorate due to disputes related to the level of wages, accommodation or benefits or their response to changes in government regulation of workers and the workplace. In addition, changes in regulations such as more restrictive visa requirements or immigration laws relating to the employment in Sharjah of unskilled labour could lead to a shortage of workers available to the Group's contractors. As the Group relies heavily on its contractors to provide a high quality service, any labour shortage or stoppage could adversely affect the Group's ability to complete its projects on time, which could expose the Group to liability and damage its reputation.

The Group is exposed to the risk of default by its contractors

The market for contractors in the UAE has become increasingly difficult driven by price escalation making their existing contracts unprofitable and resulting in contractors failing to pay their employees on a timely basis (which has resulted in strikes and other forms of employee protest) and delaying payments to their suppliers. In addition, an increasing number of bond calls has impacted the affected contractors financially and resulted in their inability to perform contracted work. In mid-2021, Arabtec Construction (which is a major contractor in the MENA region) was declared bankrupt and other bankruptcies and contractor defaults may also occur.

Should one of the Group's contractors or suppliers default on its arrangements with the Group for any reason, including as a result of its bankruptcy or insolvency, or if the Group's relationship with a contractor or supplier deteriorates, the Group may not be able to find a suitably qualified replacement promptly, on similar terms or at all. In addition, any new contractor or supplier may need time to familiarise itself with the ongoing project and may also face significant challenges in obtaining the necessary supplies needed to progress the project, causing a further delay in the completion of the project. The Group may also be exposed to the risk that the alternative contractor or supplier fails to meet the Group's high standards for workmanship and quality. In addition, some contractors may require licences or permits to work for the Group and there can be no assurance that a successor contractor could be found in a timely manner with the requisite approvals and licences. If any of these events were to occur, it could affect the Group's ability to complete the affected project, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's projects may be subject to delays due to utility and road infrastructure providers' inability to provide required services and connections to its developments within project delivery times

Access to certain of the Group's projects is dependent on the completion of connecting infrastructure, such as roads and utilities for which third party government utilities and agencies are responsible. There can be no assurance that material delays in delivering the Group's projects will not occur as a result of delays in the connection of infrastructure. For example, across the UAE, the demand for electricity, water and gas has increased substantially in the past decade and may continue to increase in the future if the development and population of the UAE continues to expand. The Group's current projects may be delayed and future projects may be hindered due to the inability of utility providers to provide the required levels of water and power generation and connections for these utilities in a timely manner. Any delays in the Group's projects, even when outside the Group's control, may adversely affect the Group's brand and reputation, as well as increase the costs associated with affected projects, and could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's business model relies on cash from off-plan sales to substantially fund construction, and any significant decrease in the level of these sales could lead to the delay in completion or cancellation of projects

The Group finances its projects principally through borrowings and internally generated cash flows that result primarily from the pre-sale of residential units. The Group may also require financing to fund land acquisitions, initial project development costs and capital expenditures and to support the ongoing development and future growth of its project portfolio.

The Group may not have sufficient capital to undertake future land acquisitions and other investments that it may deem necessary or desirable. Where presales of residential units in a particular project are insufficient to fund its completion, the Group may have to seek external financing. The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group and its business focus, the success of the Group's business, provisions of tax and securities laws that may be applicable to the Group's ability to raise capital and political and economic conditions in the UAE. There can be no assurance that additional financing, either on a short-term or long-term basis, will be available or, if available, that the Group will be able to obtain such financing on favourable terms. The Group may also be required to provide security over its assets to obtain any such financing and/or agree to contractual limitations on the operations of its business. An inability to obtain additional financing on terms favourable to the Group or at all could result in defaults on existing contracts, construction delays and damage to the Group's reputation as a reliable contractual counterparty, which, in turn, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to the risk of customers defaulting on their purchase price instalments

The Group begins selling its projects when they are still off-plan. Upon buying a residential unit, the customer contractually agrees to pay the Group the purchase price in instalments on a pre-agreed payment schedule. The cash deposits and subsequent purchase price instalments are used to fund construction of the project. If, due to poor economic conditions, declines in property values or otherwise, a significant portion of customers were to default on paying their subsequent instalments at any particular stage in the construction of a project, the Group would be required to rely on local laws and regulations to seek to recover monies owed, which can be a costly and time consuming process. If the Group is unsuccessful, and is unable to obtain the relevant funds, this could jeopardise the completion of the project, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group's projects could be exposed to catastrophic events or acts of terrorism over which it has no control

The Group's projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, tsunamis, hurricanes and fires) or other catastrophic events, including:

- changes to predominant natural weather, hydrologic and climatic patterns, including sea levels;
- major accidents, including chemical, radioactive or other material environmental contamination;
- major epidemics or pandemics affecting the health of persons in the MENA region and travel into the MENA region. For example, see "– *The Group was adversely affected by the measures taken in response to the COVID-19 pandemic*" above for a discussion of the impact of COVID-19 on the Group;
- fires resulting from faulty construction materials; and/or
- criminal acts or acts of terrorism.

The occurrence of any of these events at one or more of the Group's projects, or projects in the UAE or MENA region more generally, may cause disruptions to the Group's operations, which could have a material adverse effect on its business, results of operations and financial condition. In addition, such an occurrence may increase the costs associated with the Group's projects, may subject the Group to liability or impact its brand and reputation and may otherwise hinder the normal operation of the Group's projects.

The effect of any of these events on the Group's financial condition and results of operations may be exacerbated to the extent that any such event involves risks for which the Group is uninsured or not fully insured.

The Group relies on its senior management team, certain employees and external sales agencies

The Group relies on its senior management for the implementation of its strategy and its day-to-day operations. The Group's continued success will depend on its ability to continue to retain and attract appropriately qualified personnel, including those with the relevant technical expertise in the real estate development sector, to operate its business. Competition for appropriately qualified technical, marketing and support personnel with the relevant expertise in the property development sector in the UAE is intense, and there can be no assurance that the Group will continue to be able to successfully recruit such personnel. Should the Group experience the loss of one or more of its key members of management or staff and be unable to replace them in a timely fashion (or at all) with other appropriately qualified and experienced individuals, this may result in (among other things): (a) a loss of organisational focus; (b) poor execution of operations and the Group's corporate strategy; and (c) an inability to identify and execute potential strategic initiatives such as future projects. These adverse results could, among other things, reduce potential revenue, expose the Group to downturns in the markets in which it operates and/or otherwise adversely affect the Group's business, results of operations and financial condition.

In addition, the Group contracts with approximately 3,000 sales agencies in the UAE and internationally to market its projects, and such agencies were responsible for the sales of more than 55.2 per cent. of the Group's residential units in 2021. The Group's arrangements with these agencies are non-exclusive and on a commission basis. Although no single agency or group of affiliated agencies accounted for more than 10

per cent. of the Group's sales in 2021, the loss of one or more of the Group's most successful third-party sales agencies could adversely affect its business.

The Group has significant capital expenditure commitments and is likely to continue to have material funding requirements and the availability of financing to the Group may be limited

The Group has incurred, and anticipates that it will in the future, continue to incur, significant capital expenditure and that it may have material funding needs in relation to particular projects or to refinance existing indebtedness. The Group intends to fund its future capital expenditures and its financial obligations (including Arada's obligations to pay amounts due under the Transaction Documents) principally through operating cash flows, borrowings from third parties (including by way of the issue of the Trust Certificates, through project financing and using committed bank funding lines) and asset sales (principally developed residential units). The availability of operating cash flow to the Group may, in certain cases, be limited. See "– The terms of the Group's current and any future financings may restrict it from entering into certain transactions and/or limit its ability to respond to changing market conditions" below.

The Group's ability to obtain external financing and the cost of such financing are dependent on numerous factors including general economic and market conditions, international interest rates, credit availability from banks or other lenders, regulatory or central bank policy changes, investor confidence in the Group and the success of its business. There can be no assurance that external financing, either on a short-term or long-term basis and whether to fund new projects or to repay existing financing, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Group.

In the event that appropriate sources of financing are not available or are only available on onerous terms and the Group does not have sufficient operating cash flow or cash generated from asset monetisations, this could adversely affect the Group's business through increased borrowing costs and reductions in capital expenditure. In addition, the Group may be forced, amongst other measures, to do one or more of the following:

- delay or reduce capital expenditures;
- forgo business opportunities, including new projects and joint ventures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity.

The terms of the Group's current and any future financings may restrict it from entering into certain transactions and/or limit its ability to respond to changing market conditions

The Group's current financing arrangements contain various covenants that limit its ability to engage in specified types of transactions, including, among other things, its ability to incur or guarantee additional financial indebtedness and/or grant security or create any security interests, in addition to maintaining certain financial ratios. These provisions may restrict the Group's ability to respond to adverse economic conditions, which could have a material adverse effect on its business, results of operations and financial condition.

If the Group fails to satisfy any of its debt service obligations or breaches any related financial or operating covenants, the lender could declare the full amount of the indebtedness to be immediately due and payable and could foreclose on any assets pledged as collateral. In the case of any borrowing by the Group's joint ventures, this failure could arise through actions taken by one or more of the Group's joint venture partners. As a result, any default under any indebtedness to which the Group is party could result in a substantial loss to the Group.

Furthermore, if the Group obtains additional funding in the future, such funding would increase its leverage and could thereby limit its ability to (i) raise further funding or (ii) react to changes in the economy or the markets in which the Group operates and/or could prevent the Group from meeting its debt obligations. Additionally, incurring further debt could also, among other things:

- increase the Group's vulnerability to general economic and industry conditions;

- increase the risk that the Group may be unable to pay the interest, profit payments or principal on any outstanding obligations;
- require the Group to provide additional security over certain of its assets;
- require a substantial portion of cash flow from operations to be dedicated to the payment of financing costs and repayment of principal on the Group's indebtedness, thereby reducing its ability to use its cash flow to fund its operations, capital expenditures and future business opportunities;
- restrict the Group from making strategic acquisitions or cause it to make non-strategic divestitures;
- limit the Group's ability to obtain additional financing for working capital, capital expenditures, project development, debt service requirements, acquisitions and general corporate or other purposes; and
- limit the Group's ability to adjust to changing market conditions and place it at a competitive disadvantage compared to its competitors who are less highly leveraged.

Any of the foregoing consequences could have a material adverse effect on the Group's business, results of operations and financial condition.

The regulatory framework governing the UAE and Sharjah real estate market may be subject to change

The Group cannot predict the contents of any future legislation that is imposed or implemented by the Sharjah Real Estate Registration Department ("SRED") or the Sharjah or UAE federal governments. While many of the real estate laws and regulations recently implemented, and to be implemented in the future, are intended to improve the real estate markets in Sharjah and the UAE, the effects of the implementation of such laws are often uncertain, there may be difficulties or delays in enforcing them, and there can be no assurance that such laws and regulations will not impose more onerous obligations on the Group or have a material adverse effect on its business, results of operations and financial condition.

The Group is required to maintain and renew numerous licences and permits to operate

The Group's operations are required to comply with numerous laws and regulations, both at the emirati and federal level, and require the maintenance and renewal of commercial licences and permits to conduct its business from the launch of a master plan, through construction to sales and marketing. Because of the complexities involved in procuring and maintaining numerous licences and permits, as well as in ensuring continued compliance with different and sometimes inconsistent emirati and federal licensing regimes, the Group cannot give any assurance that it will at all times be in compliance with all of the requirements imposed on each of its projects, although the Group is not aware of any material breaches that currently exist. The Group's potential failure to comply with applicable laws and regulations or to obtain and maintain requisite approvals, certifications, permits and licences, whether intentional or unintentional, could lead to substantial sanctions, including criminal, civil or administrative penalties, revocation of the Group's licences and/or increased regulatory scrutiny, and liability for damages. It could also result in contracts to which the Group is a party being deemed to be unenforceable or invalidate or increase the cost of the insurance that the Group maintains for its project portfolio. For the most serious violations, the Group could also be forced to suspend operations until it obtains the required approvals, certifications, permits or licences or otherwise bring its operations into compliance. In addition, any adverse publicity resulting from any compliance failure, particularly as regards the safety of projects, could negatively impact the Group's reputation and have a material adverse effect on its business, results of operations and financial condition.

Furthermore, changes to existing, or the introduction of new laws, regulations or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any such laws, regulations or licensing requirements could adversely affect the Group's business by reducing its revenue and/or increasing its operating costs, and the Group may be unable to mitigate the impact of such changes. Any of these occurrences could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may incur unanticipated costs related to compliance with health and safety and environmental laws and regulations

The Group has adopted safety standards to comply with applicable laws and regulations, and safety requirements are contractually agreed with the Group's contractors. If the Group and/or its contractors fail to comply with the relevant standards, either or both may be liable for penalties and the Group's business and/or reputation might be materially and adversely affected.

In addition, the Group seeks to ensure that it and its contractors comply with all applicable environmental, health and safety laws. While the Group believes that it is in material compliance with such laws, there can be no assurance that it will not be subject to potential liability, including remediation obligations with respect to contaminated project sites or liability in the event of an accident at one of its projects. If an environmental liability arises in relation to, or an accident occurs at, any project owned or developed by the Group and it is not remedied, is not capable of being remedied or is required to be remedied at the Group's cost, this may have a material adverse effect on the relevant project, the Group's reputation and its business, results of operations and financial condition, either because of the cost implications for the Group or because of disruption to services provided at the relevant project. Moreover, it may result in a reduction of the value of the relevant project or affect the Group's ability to dispose of residential units in such project.

Amendments to existing laws and regulations relating to health and safety standards and the environment may impose more onerous requirements on the Group and subject its developments to more rigorous scrutiny than is currently the case. The Group's compliance with such laws or regulations may necessitate further capital expenditure or subject it to other obligations or liabilities, which could have a material adverse effect on its business, results of operations and financial condition.

The Group may not have adequate insurance to cover potential losses

Although the Group seeks to ensure that its projects are appropriately insured, no assurance can be given that any of its existing insurance policies will be sufficient to cover losses arising from certain events or will be renewed on equivalent, commercially reasonable terms or at all. In addition, given the volatility and complexity of the Group's market, certain types of risks and losses are either uninsurable or uneconomical to insure (for example, among others, risks or losses relating to war, terrorism, geo-political climate, threats to cyber security, currency fluctuation, general economic crisis and inadequate succession planning). Furthermore, it may be difficult to identify appropriate insurance solutions to cover these risks, given the vast variety and complexity of products offered in the insurance market in recent years.

The Group's properties and business could suffer physical damage from fire or other causes, resulting in losses (including loss of future income) that may not be fully compensated by insurance. If the Group experiences an uninsured or uninsurable loss in the future or if any insurance proceeds which it receives are insufficient to repair or replace a damaged or destroyed property, the Group could incur significant capital expenditure and its business results could be materially adversely affected. The Group may also remain liable for any debt or mortgage, indebtedness or other financial obligations related to the relevant project. Any significant insurance claims in respect of incidents at any of its projects could also result in significantly increased insurance premiums or make the relevant insurance more difficult to obtain.

Where the Group experiences an insured-against event, it cannot be certain that the proceeds of insurance which it receives will fully cover its loss including, for example, in the case where a financing document provides that any insurance proceeds should be used to prepay the lenders. The Group's insurance policies may be subject to deductibles or exclusions that could materially reduce the amount that it recovers and, in certain circumstances, the policies could be void or voidable at the option of the insurer. In addition, the Group's insurers may become insolvent and therefore not be able to satisfy any claim in full or at all.

The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is dependent on its IT systems, which may fail or be subject to disruption

The Group's operations are dependent on its information technology ("IT") systems, and there is a risk that these systems could fail. The Group cannot be certain that its IT systems will be able to support the volumes of online traffic it may experience. Although the Group maintains business continuity procedures and security measures in the event of IT failures or disruption, including backup IT systems for business critical systems, these procedures and measures may not anticipate, prevent or mitigate a network failure or

disruption and will not protect against an incident to the extent that there is no alternative system or backed-up data in place.

The Group's staff and its IT systems process sensitive personal customer data (including name, address, bank details and credit card details) and therefore must comply with strict data protection and privacy laws. Such laws and regulations restrict the Group's ability to collect and use personal information relating to customers and potential customers including the use of that information for marketing purposes. The Group is also at risk from cyber-crime. Whilst it has implemented procedures to ensure compliance with the relevant data protection regulations by its employees and third party service providers, and has implemented security measures to help prevent cyber-crime, the Group remains exposed to the risk that sensitive data is wrongfully appropriated, lost or disclosed in breach of applicable regulation. In such a case, the Group could face liability under data protection laws or sanctions by card merchants. This could also result in the loss of customer goodwill and deter new customers which could materially adversely affect the Group's business, results of operations and financial condition.

The Group is exposed to interest rate volatility and inflation

Interest rates are highly sensitive to factors beyond the Group's control, including the interest rate and other monetary policies of governments and central banks where its customers and potential customers are located and in whose currencies the Group borrows. If interest rates increase, the Group will be obliged to pay a higher rate of return on its financing, all of which carries floating rates of return. Paying a higher rate of return on its financing would result in an increase in the Group's finance expense and may have a material adverse effect on its business, results of operations and financial condition.

Interest rates may also impact the attractiveness of real estate as an investment opportunity. Since the global financial crisis, interest rates have generally remained low. In many years, rental yields available on residential investment properties in the UAE, such as the projects the Group develops, have been higher than returns available in certain other international real estate markets. There can be no assurance that this trend will continue. In addition, if interest rates increase materially, investment in real estate may become less appealing as an alternative to traditional financial investment products and could also deter potential customers from seeking mortgage financing to purchase the Group's properties, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Inflation can also adversely affect the Group's business by increasing its costs for material and labour, which the Group may not be able to subsequently pass on to its customers. In addition, inflation is often accompanied by higher interest rates, which could have a negative impact on demand for the Group's properties and the cost of its debt financing. Consumer price inflation in the UAE was minus 1.93 per cent., minus 2.08 per cent. and 2.50 per cent. in 2019, 2020 and 2021, respectively, according to the UAE Federal Competitiveness and Statistics Authority. Should inflation or interest rates continue to increase in the future, which may be likely in light of recent energy and commodity price increases, the Group's business, results of operations and financial condition could be adversely affected by any of the following:

- decreasing sales as a result of decreased spending levels;
- increasing materials, labour and financing costs, and an inability to receive reimbursement from customers for their share of the increased expenses;
- higher contractual obligations due to exchange rate fluctuations; and/or
- other cost overruns.

Any infringement of the Group's trademarks and other intellectual property could materially adversely affect its business

The Group relies on brand recognition and the goodwill associated with the Arada brand and the other brands which it is creating, such as Aljada, Masaar, ZAD, Manbat and Wellfit. A deterioration of the value of the Arada brand or of any its other brands, whether due to property related issues, customer complaints, adverse publicity, legal action, third party infringements or other factors, could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may be subject to risks associated with its joint ventures

The Group currently only has a single joint venture, although it expects in the future that it may enter into joint ventures with third parties who contribute land to the joint venture as this would allow the Group to acquire land with a minimal upfront cash cost. Although no such joint ventures are currently being negotiated, to the extent the Group does enter into these types of joint venture as it grows, co-operation and agreement with its joint venture partners on the projects to be implemented will be essential for the smooth operation and financial success of those projects and the Group's future business.

However, there is a risk that the Group's future joint venture partners may have economic or business interests or goals that are inconsistent with those of the Group, may be unable or unwilling to fulfil their obligations under the relevant joint venture or may experience financial or other difficulties. In addition, disputes with the Group's future joint venture partners could arise that may adversely affect its joint venture projects.

In addition, the Group's ability to expand in the future will continue to depend upon the availability to it of land plots, including plots provided by suitable and willing joint venture partners. The Group cannot give any assurance that it will be successful in establishing any future land plot-based joint ventures or that, once established, any such joint venture will be profitable. If a joint venture is unsuccessful, the Group may be unable to recoup its initial investment. In addition, the Group's inability to realise joint venture opportunities may result in it losing access to premium plots of land which might be developed by its competitors and/or require the Group to incur significant capital expenditure to acquire land plots in the future.

Any of these factors, alone or in combination, could adversely impact the Group's future growth.

Risks Relating to the UAE, the MENA Region and Emerging Markets

Investments in emerging markets are subject to greater risks than more developed markets, including significant political, social and economic risks

All of the Group's operations and assets are located in the UAE. While the UAE has historically not been affected by political instability, there is no assurance that any political, social, economic and market conditions affecting the MENA region generally (as well as outside the MENA region because of interrelationships within the global financial markets) would not have a material adverse effect on the Group's business, results of operations and financial condition.

Specific risks in the UAE and the MENA region that may have a material impact on the Group's business, results of operations and financial condition include:

- an increase in inflation and the cost of living;
- a devaluation in the dirham or any other currency which has an impact on the Group's business;
- external acts of warfare and civil clashes or other hostilities involving nations in the region;
- governmental actions or interventions, including tariffs, protectionism and subsidies;
- difficulties and delays in obtaining governmental or other approvals, new permits and consents for the Group's operations or renewing existing ones;
- potential lack of transparency or reliability as to title to real property;
- cancellation of contractual rights;
- lack of infrastructure;
- expropriation or nationalisation of assets;
- inability to repatriate profits and/or dividends;
- continued regional political instability and unrest, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism which could adversely affect the UAE economy;

- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies, land and water use and foreign ownership;
- changing tax regimes, including the imposition of taxes in currently tax favourable jurisdictions, including the UAE;
- arbitrary, inconsistent or unlawful government action, including capricious application of tax laws and selective tax audits;
- limited availability of capital or debt financing; and
- slowing regional and global economic environment.

Any unexpected changes in the political, social, economic or other conditions in the UAE or its neighbouring countries may have a material adverse effect on the Group's business, results of operations and financial condition. It is not possible to predict the occurrence of events or circumstances such as or similar to those outlined above or the impact of such occurrences and no assurance can be given that the Group would be able to sustain its current profit levels if such events or circumstances were to occur.

Investors should also be aware that emerging markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in developing markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

Legal and regulatory systems may create an uncertain environment for investment and business activities

The UAE's institutions and legal and regulatory systems are not yet as fully matured and as established as those of Western Europe and the United States. Existing laws and regulations may be applied inconsistently with anomalies in their interpretation or implementation. Such anomalies could affect the Group's ability to enforce its rights under its contracts or to defend its business against claims by others. Changes in the UAE legal and regulatory environment, including in the ability of non-UAE residents to own property, in zoning, planning or construction regulations or building codes, in labour, welfare or benefit policies or in tax regulations could have a material impact on the Group's business.

UAE visa legislation may have an adverse effect on the Group's business

A federal decision No. 281 of 2009 issued by the Minister of the Interior in May 2009 (the "**Resolution**"), which came into effect on 1 June 2009, standardised the terms of residency permits issued to expatriate residential property owners across the UAE. The decree allows expatriate property owners to apply for renewable multiple-entry visas with a validity of six months. The residency permit does not entitle the holder to work in the UAE and is in effect a long-term visit visa. In order to successfully apply for the new permit, expatriate property owners must satisfy certain criteria, including a minimum property valuation of at least AED 1 million, earning thresholds and the maintenance of appropriate insurance. While the Resolution was passed with the intention of standardising the previous rules and stimulating the domestic real estate market, it is not possible to assess whether the Resolution has had a positive or negative effect on levels of foreign investment in the UAE residential property market. The UAE federal government has introduced other new visa measures to make the UAE more appealing to investors, entrepreneurs, skilled personnel and outstanding students, including the 10-year 'Golden' visa. However, any restrictive changes to the UAE's visa policies in the future may discourage foreign nationals from investing in property in the UAE, which would have an adverse effect on the Group's business, results of operations and financial condition.

Risk Factors Relating to the Lease Assets

Limitations relating to the indemnity provisions under the Purchase Undertaking and the Declaration of Trust

Arada has undertaken in the Purchase Undertaking and the Declaration of Trust that: (i) if, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, Arada Developments LLC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be; and (ii) if, following delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the Exercise Price, the Tangibility Event Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, Arada shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Tangibility Event Certificateholder Put Right Trust Certificates or the Change of Control Put Right Trust Certificates (each as defined in the Purchase Undertaking), as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

Subject to the satisfaction of the conditions in (i) and (ii) as described above, if Arada fails to pay the Exercise Price, the Tangibility Event Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 15 (*Dissolution Events*) and the terms of the Declaration of Trust, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Declaration of Trust against Arada by commencing legal or arbitral proceedings.

However, investors should note that, in the event that Arada Developments LLC does not remain in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the condition in (i) as described above will not be satisfied and, therefore, no amounts will be payable by Arada under the separate indemnity provisions. For the avoidance of doubt, no investigation has been or will be made by the Trustee, the Joint Lead Managers or the Delegate as to whether Arada has or will continue to have actual or constructive possession, custody or control of any Lease Assets.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by Arada in order to prove for damages. Such breach of contract may be due to (i) a breach by Arada of the requirement to purchase the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets on the relevant Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (ii) a breach by Arada (acting in its capacity as Lessee pursuant to the provisions of the Lease Agreement) of its undertaking to maintain actual or constructive possession, custody or control of all of the Lease Assets.

As a result, the Delegate (on behalf of the Certificateholders) may not be able to recover, or may face significant challenges in recovering, an amount equal to the Exercise Price, the Tangibility Event Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, and in turn, the amount payable to the Certificateholders upon redemption.

Ownership of the Lease Assets

In order to comply with the requirements of *Shari'a*, an ownership interest in the Lease Assets should pass to the Trustee under the Purchase Agreement. The Trustee will declare a trust in respect of the Lease Assets and the other Trust Assets in favour of the Certificateholders pursuant to the Declaration of Trust. Accordingly, from a *Shari'a* perspective, Certificateholders should, through the ownership interest obtained by the Trustee pursuant to the terms of the Purchase Agreement, have an undivided ownership interest in the Lease Assets.

Limited investigation or enquiry will be made and limited due diligence will be conducted in respect of any Lease Assets. The Lease Assets will be selected by Arada, and the Certificateholders, the Trustee, the Joint Lead Managers, the Delegate and the Agents will have no ability to influence such selection. Only limited representations will be obtained from Aljada Developments LLC, Masaar Developments LLC and Arada

in respect of the Lease Assets. Although Aljada Developments LLC, Masaar Developments LLC and Arada have undertaken in the Purchase Agreement to do all acts or things as may be reasonably requested by the Trustee or required by applicable law to implement the intended purpose of the Purchase Agreement or otherwise to preserve or enforce the Trustee's rights under the Purchase Agreement, the parties have acknowledged that the title to the Lease Assets is not intended to be registered (to the extent registrable) in the name of the Trustee and the relevant seller shall continue to hold the registered title to the relevant Lease Assets for and on behalf of the Trustee. Therefore, other than from a *Shari'a* perspective, Certificateholders shall not have any interest in any Lease Assets which require perfection in order to legally transfer any ownership interest therein.

Transfer, possession, custody or control of the Lease Assets

Limited investigation has been or will be made by Arada, the Trustee, the Joint Lead Managers or the Delegate as to whether any interest in any Lease Assets may be transferred as a matter of the law of the jurisdiction where such assets are located or any other relevant law and no investigation has been or will be made by the Trustee, the Joint Lead Managers or the Delegate as to whether Arada is in actual or constructive possession, custody or control of any Lease Assets.

The occurrence of a Partial Loss Event could result in the Trust Certificates being redeemed early

If a Partial Loss Event occurs with respect to the Lease Assets, the Lessee may, within 30 days after the Partial Loss Event (and provided that the relevant Lease Assets have not already been replaced in accordance with the Servicing Agency Agreement), deliver to the Lessor a Partial Loss Termination Notice, pursuant to which the Lease shall terminate on the 61st day after the date of the Partial Loss Event. If the Lessee does not serve a termination notice within 30 days after the Partial Loss Event but fails to replace the relevant Lease Assets within 60 days after the date of the Partial Loss Event, the Lease shall automatically terminate on the 61st day after the Partial Loss Event occurred and such termination of the Lease in either of the circumstances set out in this paragraph shall constitute an Arada Event, following which the Trust Certificates may be redeemed in full in accordance with the Conditions.

Risk Factors Relating to the Trust Certificates

The Trust Certificates are limited recourse obligations

The Trust Certificates are not debt obligations of the Trustee. Instead, the Trust Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Trust Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Trust Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders, will be against Arada to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse to any assets of the Trustee or Arada in respect of any shortfall in the expected amounts due under the Trust Assets. Arada is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have recourse against Arada to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no recourse to Arada and there is no assurance that the net proceeds of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing each of Arada's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Trust Certificates. After enforcing the rights in respect of the Trust Assets (in the manner described above) and distributing the net proceeds of such Trust Assets in accordance with Condition 6.2 (*Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Trust Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against Arada shall be to enforce the obligation of Arada under the Transaction Documents to which it is a party.

Consents to variation of the Conditions, the Trust Certificates and the Transaction Documents

The Conditions, the Trust Certificates, the provisions of the Declaration of Trust or any other Transaction Document can only be amended by Arada and the Trustee with the prior written consent of the Delegate.

The Delegate may agree, without the consent of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions, the Trust Certificates, the Declaration of Trust or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event shall not be treated as such, if, in the opinion of the Delegate:

- (a) such modification is of a formal, minor or technical nature; or
- (b) such modification is made to correct a manifest error; or
- (c) such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and is other than in respect of a Reserved Matter,

provided that, in the case of (c) above, no such modification, waiver, authorisation or determination may be made in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Trust Certificates.

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding upon the Certificateholders and shall as soon as practicable thereafter be notified by the Trustee to Certificateholders in accordance with Condition 18 (*Notices*). Further, any such modification, waiver, authorisation or determination in relation to any Trust Certificates may adversely affect their trading price.

Credit ratings assigned to Arada or any Trust Certificates do not reflect all the risks associated with an investment in the Trust Certificates and may be subject to revision or withdrawal

One or more independent credit rating agencies may assign credit ratings to Arada or the Trust Certificates. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and any other factors that may affect the value of the Trust Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Trustee has no obligation to inform Certificateholders of any revision, downgrade or withdrawal of its current or future credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to Arada and/or the Trust Certificates may adversely affect the trading price of the Trust Certificates.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Economic Area (the "EEA") and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction may also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to: (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Trust Certificates changes, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Trust Certificates may have a different regulatory treatment. This may result in relevant regulated investors selling the Trust Certificates which may impact the value of the Trust Certificates and any secondary market.

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Trust Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Trust Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Trust Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Trust Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Trust Certificates.

The Trustee and Arada have applied for Trust Certificates to be admitted to trading on the ISM. However, prospective investors should note that there can be no assurance that such admission to trading will occur or, if it occurs, can be maintained or that it will enhance the liquidity of the Trust Certificates. The absence of admission to trading on the ISM may have an adverse effect on a Certificateholder's ability to hold, or resell, and the value of, the Trust Certificates.

Accordingly, the purchase of the Trust Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Trust Certificates and the financial and other risks associated with an investment in the Trust Certificates.

Trust Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade

The minimum denomination of the Trust Certificates is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Trust Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase a face amount of Trust Certificates such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Trust Certificates. Certificateholders should be aware that Trust Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

The Trust Certificates may be subject to early dissolution

The Trust Certificates may be redeemed prior to the Scheduled Dissolution Date as further described in Condition 11 (*Capital Distributions of the Trust*). If the Trust Certificates are redeemed in such circumstances, an investor may not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Trust Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

There is no assurance that the Trust Certificates will be compliant with the principles of Islamic finance

Each of the Internal Sharia Supervisory Committee of Dubai Islamic Bank PJSC, the Emirates NBD Islamic Internal Shariah Supervision Committee, Mashreqbank psc's (acting through its Islamic Banking Division) Internal Shari'ah Supervision Committee, Sharjah Islamic Bank PJSC's Internal Shari'a Supervisory Committee and the Global Shariah Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, compliant with the principles of *Shari'a* as applicable to the Trust Certificates, and as interpreted by them. However, there can be no assurance that the Transaction Documents or any issue and trading of any Trust Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of Arada, the Trustee, the Delegate, the Joint Lead Managers or the Agents makes any representation to potential investors as to the *Shari'a* compliance of any Trust Certificates and/or any trading thereof, the Transaction Documents or the above pronouncements and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. In addition, none of the Delegate, the Joint Lead Managers or the Agents will have any responsibility for monitoring or ensuring compliance with any *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in Condition 11.3 (*Dissolution following a Total Loss Event*) and Condition 11.4 (*Dissolution at the*

Option of the Certificateholders (Tangibility Event Put Right)) nor shall it be liable to any Certificateholder or any other person in respect thereof. Potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Trust Certificates and should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and whether the Trust Certificates will meet their individual standards of compliance and the issue and trading of the Trust Certificates with *Shari'a* principles, including the tradability of the Trust Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or the *Shari'a* permissibility of the issue and the trading of the Trust Certificates may limit the liquidity and adversely affect the market value of the Trust Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement) shall be, if in dispute, be referred to, and finally resolved by, arbitration under the Arbitration Rules of the London Court of International Arbitration (the "LCIA"), in London, England. Arada has also agreed under the Transaction Documents to which it is a party (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and any Sale Agreement) to submit to the jurisdiction of the courts of England at the option of the Trustee or the Delegate (as the case may be). In such circumstances, the arbitrator or court will apply the relevant law of the relevant Transaction Document in determining the obligations of the parties.

Risk Factors Relating to Enforcement

Investors may experience difficulty in enforcing arbitration awards and foreign judgments in the UAE

The payments under the Trust Certificates are dependent upon Arada making payments to the Trustee in the manner contemplated under the Transaction Documents. If Arada fails to do so, it may be necessary for an investor to bring an action against Arada to enforce its obligations (subject to the provisions of the Conditions) and/or to claim damages, as appropriate, which may be costly and time consuming.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

Each of the Transaction Documents (other than the Purchase Agreement, any Supplemental Purchase Agreement, the Lease Agreement and each Sale Agreement) and the Trust Certificates are governed by English law (the "**English Law Documents**") and Arada has agreed, at the option of the Trustee or the Delegate (as the case may be), to submit to the exclusive jurisdiction of the English courts in respect of any dispute, claim, difference or controversy arising out of or in connection with the English Law Documents.

Where an English judgment has been obtained, there is no assurance that Arada has, or would at the relevant time have, assets in the UK against which such a judgment could be enforced. Arada is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE law, the UAE courts (including the courts of Sharjah) are unlikely to enforce an English court judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the transaction. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court in the UAE, may not accord with the interpretation by an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or to any mandatory law of, or applicable in, the UAE.

The UAE is a civil law jurisdiction and judicial precedents in Sharjah have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in Sharjah. These factors create greater judicial uncertainty than would be expected in other jurisdictions.

Arada has agreed, unless the option to litigate is exercised, to refer any unresolved dispute in relation to such documents to arbitration under the Arbitration Rules of the LCIA with an arbitral tribunal with its seat in London. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**") entered into force in the UAE on 19 November 2006. Any arbitration award rendered in London should therefore be enforceable in Sharjah in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds

under Article V of the New York Convention to refuse enforcement, or the Sharjah courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention. It should be noted that only the Dubai Court of Cassation was a final decision.

There is no established track record as to how the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention). This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems independent of the federal system, and whose rulings may have no more than persuasive force cross-border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention (as described above), there are other cases where the enforcement of foreign arbitral awards have been refused. Federal Cabinet Resolution No. 57 of 2018 (the "**Resolution**") governs the enforcement of foreign arbitral awards. The Resolution confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention shall not be prejudiced by the Resolution. However, there is no established track record as to how the overlapping provisions of the New York Convention and the Resolution will be interpreted and applied by the UAE courts in practice. There remains a risk that notwithstanding the Resolution or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the "**UAE Arbitration Law**") for enforcement of domestic UAE arbitral awards to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

There can be no assurance as to whether the waiver of immunity provided by Arada will be valid and binding under UAE law

Arada has agreed, in the Transaction Documents to which it is a party, that it will not claim and has waived, to the fullest extent possible under applicable law, immunity from suit, execution before judgment or otherwise or other legal process. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under Transaction Documents to which Arada is a party are valid and binding under the laws of the Emirate of Sharjah and, to the extent applicable therein, the federal laws of the UAE. If the waiver is not valid and binding, there is a risk that the waiver may not be able to be enforced against Arada. As such, Certificateholders may ultimately not be able to enforce Arada's relevant obligations under the Transaction Documents.

Shari'a requirements in relation to interest awarded by a court

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of any arbitration and/or by a court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment or arbitral award given against Arada, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

Compliance with UAE bankruptcy law may affect Arada's ability to perform its obligations under the Transaction Documents

In the event of Arada's insolvency, UAE bankruptcy law may adversely affect Arada's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, may adversely affect the Trustee's ability to perform its obligations in respect of the Trust Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders, the Trustee and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances.

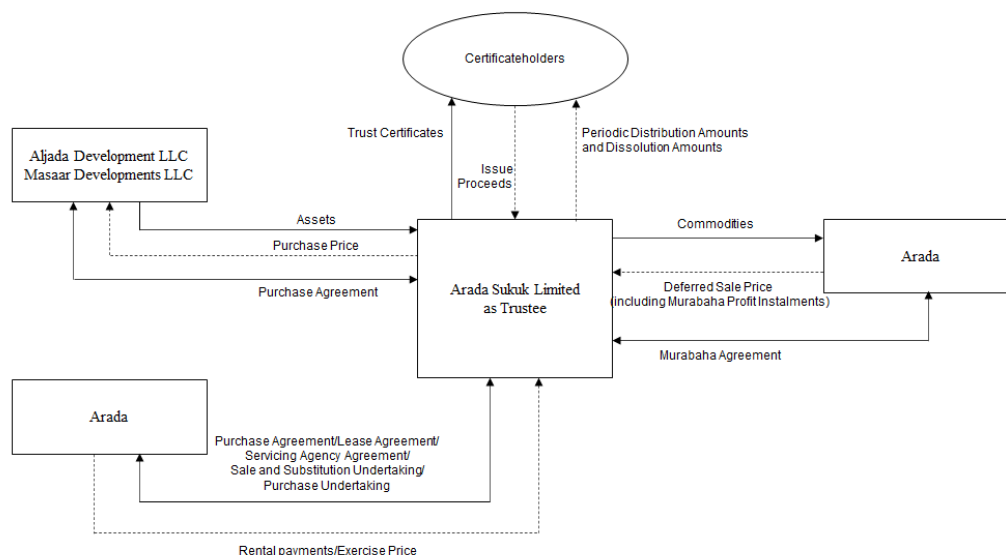
Claims for specific enforcement

In the event that Arada fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of Arada's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement of a contractual obligation, which is a discretionary matter for the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by Arada to perform its obligations set out in the Transaction Documents to which it is a party.

STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the Trust Certificates. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



Cashflows

Payments by the Certificateholders and the Trustee

On the Issue Date, the Certificateholders will pay the issue price (the "**Issue Proceeds**") in respect thereof to the Trustee, and the Trustee will pay:

- (a) at least 55 per cent. of the aggregate face amount of the Trust Certificates as the purchase price (the "**Purchase Price**") payable under the Purchase Agreement for certain real estate assets located in the Emirate of Sharjah (the "**Assets**") pursuant to a purchase agreement between the Trustee, Arada and the sellers of the Assets, being Aljada Developments LLC and Masaar Developments LLC (the "**Purchase Agreement**"); and
- (b) the remaining portion of the Issue Proceeds (which shall be no more than 45 per cent. of the aggregate face amount of the Trust Certificates) (the "**Commodity Purchase Price**") for the purchase of commodities to be on-sold to Arada in consideration for a deferred sale price equal to the sum of: (i) the Commodity Purchase Price; and (ii) a profit amount (the "**Deferred Sale Price**") pursuant to a murabaha agreement between the Trustee, Arada and the Delegate (the "**Murabaha Agreement**").

Periodic Payments by the Trustee

On each Periodic Distribution Date, the Servicing Agent (on behalf of the Trustee) will apply amounts standing to the credit (or equivalent) of a collection account (comprised of a rental payment pursuant to the Lease Agreement and an instalment profit component of the Deferred Sale Price pursuant to the Murabaha Agreement, each as payable by Arada (acting in its relevant capacities under the Lease Agreement and the Murabaha Agreement, as applicable) in connection with such Periodic Distribution Date) in payment into the Transaction Account of an amount which is intended to be sufficient to fund the Periodic Distribution Amount payable by the Trustee under the Trust Certificates and shall be applied by the Trustee for that purpose.

Dissolution Payments

On the Scheduled Dissolution Date:

- (a) the aggregate amounts of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable by Arada; and
- (b) the Trustee will have the right under the Purchase Undertaking to require Arada (in its capacity as obligor) to purchase all of its rights, title, interests, benefits and entitlements in, to and under the Lease Assets for an amount equal to the Exercise Price.

The Exercise Price payable by Arada to the Trustee, together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the Final Dissolution Amount to be paid by the Trustee under the Trust Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date for a number of reasons including: (i) unless the Lease Assets have been replaced in accordance with the Servicing Agency Agreement, upon the occurrence of a Total Loss Event; (ii) upon the occurrence of a Tax Event; (iii) upon the occurrence of a Dissolution Event; (iv) if 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to the Conditions; (v) upon the occurrence of a Tangibility Event; or (vi) upon the occurrence of a Change of Control.

In the case of (ii), (iii), (iv), (v) and (vi) above, the Dissolution Amount will be funded in a similar manner as for the payment of the Final Dissolution Amount on the Scheduled Dissolution Date, save that, in the case of (ii) and (iv), Arada shall have the right under the Sale and Substitution Undertaking to require the Trustee to transfer to it all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets.

In the case of (i) above, the Dissolution Amount will be funded using: (1) any proceeds of Insurances and/or (if applicable) the Loss Shortfall Amount payable in respect of the Total Loss Event; and (2) the aggregate amounts of the Deferred Sale Price then outstanding.

USE OF PROCEEDS

The Issue Proceeds will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents on the relevant Issue Date in the following proportion: (a) not less than 55 per cent. of the aggregate face amount of the Trust Certificates towards the purchase from Aljada Developments LLC and Masaar Developments LLC of all of their respective rights, title, interests, benefits and entitlements in, to and under the Assets pursuant to the Purchase Agreement; and (b) the remaining (being not more than 45 per cent. of the aggregate face amount of the Trust Certificates) towards the purchase of commodities to be subsequently sold to Arada pursuant to the Murabaha Agreement.

The proceeds received by Arada in consideration for the transactions entered into with the Trustee as set out above will be applied by Arada to settle existing financings and for its general corporate purposes.

DESCRIPTION OF THE TRUSTEE

General

The Trustee is an exempted company incorporated on 9 March 2022 with limited liability under the Companies Act (as amended) of the Cayman Islands with registered number 388183 whose registered office is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands, and whose telephone number is +1 345 814 7600. The Trustee has been established for the sole purpose of issuing the Trust Certificates and entering into the transactions contemplated by the Transaction Documents to which it is a party.

Share Capital

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which have been issued at the date of this Offering Circular. All of the issued shares (the "**Shares**") are fully-paid and are held by Walkers Fiduciary Limited as share trustee (in such capacity, the "**Share Trustee**") under the terms of a share declaration of trust (the "**Share Declaration of Trust**") under which the Share Trustee holds the Shares on trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Trust Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to Charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

The Trustee does not have any subsidiaries.

Business of the Trustee

The Trustee has no prior operating history or prior business and does not and will not have any substantial liabilities other than in connection with the Trust Certificates to be issued. The Trust Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 9 March 2022.

Financial Statements

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Directors of the Trustee

The Directors of the Trustee are as follows:

<u>Name</u>	<u>Principal Occupation</u>
Aaron Bennett	Senior Vice President, Walkers Fiduciary Limited
Jacobus Pietersen	Vice President, Walkers Fiduciary Limited

The business address of Aaron Bennett is at c/o Walkers Professional Services (Middle East) Limited, P.O. Box 506513, Level 14, Burj Daman, Dubai International Financial Centre, Dubai, United Arab Emirates.

The business address of Jacobus Pietersen is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

Conflicts

There are no potential conflicts of interest between the private interests or other duties of the Directors of the Trustee listed above and their respective duties to the Trustee other than in their capacities as employees of Walkers Fiduciary Limited, the corporate services administrator of the Trustee.

Trustee Administrator

Walkers Fiduciary Limited will also act, or procure that a subsidiary acts, as the corporate service provider of the Trustee. The office of the Trustee Administrator will serve as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator will perform in the Cayman Islands various administrative functions on behalf of the Trustee, including engaging in communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that the Trustee may terminate the appointment of the Trustee Administrator by giving one month's notice to the Trustee Administrator or without notice upon the happening of certain stated events, including any breach by the Trustee Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Trustee Administrator shall be entitled to retire from its appointment by giving at least one month's notice in writing.

The Trustee Administrator will be subject to the overview of the Trustee's Directors.

The Trustee Administrator's principal office is c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Directors of the Trustee are all employees or officers of the Trustee Administrator. The Trustee has no employees and is not expected to have any employees in the future.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with "Financial Review". See also "Presentation of Financial and Other Information" for a discussion of the sources of the numbers contained in this section.

Consolidated Statement of Financial Position

The table below shows the Group's consolidated statement of financial position as at 31 December in each of 2021, 2020 and 2019.

	As at 31 December		
	2021	2020	2019
		(AED)	
Assets			
Non-current assets			
Property, plant and equipment.....	271,581,907	145,582,245	69,524,276
Properties held for development and sale.....	2,242,433,227	1,822,925,031	1,797,353,529
Investment properties.....	571,799,240	409,532,195	418,475,490
Right-of-use assets.....	40,987,973	9,763,053	10,149,321
Investment in equity accounted investee.....	25,511,464	23,611,538	—
Trade, contract and other receivables.....	39,941,390	36,804,501	—
Loan to a related party.....	6,884,693	6,620,890	—
Total non-current assets.....	3,199,139,894	2,454,839,453	2,295,502,616
Current assets			
Properties held for development and sale.....	636,363,905	711,187,540	585,889,250
Trade, contract and other receivables.....	939,926,308	948,184,355	418,925,013
Due from related parties.....	11,410,435	45,629,445	16,282,362
Due from shareholders.....	190,661,111	193,779,424	102,255,916
Cash and cash equivalents.....	470,292,487	55,360,257	66,398,347
Total current assets.....	2,248,654,246	1,954,141,021	1,189,750,888
Total assets.....	5,447,794,140	4,408,980,474	3,485,253,504
Equity and liabilities			
Equity			
Share capital.....	200,000,000	200,000,000	300,000
Shareholders' contribution.....	—	—	187,101,656
Legal reserve.....	14,457,801	14,457,801	150,000
Retained earnings.....	412,010,778	497,911,670	301,036,423
Attributable to owners of the company.....	626,468,579	712,369,471	488,588,079
Non-controlling interest.....	(137,586)	(93,963)	(24,429)
Total equity.....	626,330,993	712,275,508	488,563,650
Liabilities			
Non-current liabilities			
Due to related parties.....	498,695,242	—	—
Payable to the Government of Sharjah.....	2,117,205,099	2,061,720,376	1,991,500,438
Borrowings.....	484,234,062	183,666,975	210,450,900
Trade and other payables.....	69,444,884	40,819,814	15,781,398
Lease liabilities.....	40,521,539	7,505,899	8,363,233
Employees' end of service benefits.....	6,606,300	4,597,220	2,672,795
Total non-current liabilities.....	3,216,707,126	2,298,310,284	2,228,768,764
Current liabilities			
Due to related parties.....	15,197,342	18,055,996	420,746
Payable to the Government of Sharjah.....	59,557,590	31,237,724	19,540,958
Borrowings.....	435,858,307	195,644,684	—
Lease liabilities.....	3,737,132	2,443,648	1,863,849
Advances from customers.....	568,527,109	761,781,947	506,101,582
Trade and other payables.....	521,878,541	389,230,683	239,993,955
Total current liabilities.....	1,604,756,021	1,398,394,682	767,921,090
Total liabilities.....	4,821,463,147	3,696,704,966	2,996,689,854
Total equity and liabilities.....	5,447,794,140	4,408,980,474	3,485,253,504

Consolidated Statement of Profit or Loss and Other Comprehensive Income

The table below shows the Group's consolidated statement of profit or loss and other comprehensive income for each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Revenue.....	1,293,391,972	1,113,326,829	549,693,448
Direct cost	(940,715,362)	(831,956,409)	(414,835,008)
Gross profit.....	352,676,610	281,370,420	134,858,440
Other income.....	49,600,629	7,372,253	4,376,963
General and administrative expenses.....	(105,650,704)	(74,076,115)	(60,437,045)
Sales and marketing expenses.....	(81,291,253)	(78,299,320)	(53,764,422)
Gain on re-measurement of development properties on transfer to investment properties	31,983,394	—	2,089,911
Change in fair value of investment properties.....	36,481,762	(28,179,511)	(43,461,656)
Reversal of/(allowance for) write-down of properties held for development and sale	8,327,148	218,602,547	(226,929,695)
Reversal of/(allowance for) impairment of property, plant and equipment	13,793,499	2,513,194	(16,306,693)
Impairment recognised on trade receivables and contract assets.....	(16,958,111)	(1,353,914)	(524,991)
Share of results from equity accounted investee	1,899,926	18,030,519	—
Finance cost.....	(167,629,159)	(122,541,376)	(171,111,599)
Finance income	821,744	273,161	699,740,401
Profit for the year.....	124,055,485	223,711,858	355,452,926
Other comprehensive income	—	—	—
Total comprehensive income for the year	124,055,485	223,711,858	355,452,926
Attributable to:			
Owners of the Company	124,099,108	223,781,392	355,487,155
Non-controlling interest.....	(43,623)	(69,534)	(34,229)
	124,055,485	223,711,858	355,452,926

Consolidated Statement of Cash Flows

The table below summarises the Group's consolidated statement of cash flows for each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Operating profit before working capital changes	235,752,852	151,223,223	35,602,234
Net cash generated from/(used in) operating activities	282,495,857	46,201,398	(4,241,425)
Net cash used in investing activities.....	(151,954,781)	(203,243,647)	(29,486,146)
Net cash generated from financing activities	269,484,196	140,911,786	91,575,826
Net increase/(decrease) in cash and cash equivalents	400,025,272	(16,130,463)	57,848,255
Cash and cash equivalents at the beginning of the year	50,267,884	66,398,347	8,550,092
Cash and cash equivalents at the end of the year	450,293,156	50,267,884	66,398,347

Selected Alternative Performance Measures

The table below shows selected consolidated ratios for the Group as at, and for the years ended, 31 December in each of 2021, 2020 and 2019.

	As at/years ended 31 December		
	2021	2020	2019
	(AED, except percentages)		
EBITDA ⁽¹⁾	307,666,701	358,190,367	(164,536,829)
Adjusted EBITDA ⁽¹⁾	217,080,898	165,254,137	33,147,992
Gross profit margin ⁽²⁾	27.3	25.3	24.5
Net profit margin ⁽³⁾	9.6	20.1	64.7

Notes:

⁽¹⁾ For a reconciliation of EBITDA and Adjusted EBITDA to profit for the year, see "– EBITDA and Adjusted EBITDA" below.

⁽²⁾ Calculated as gross profit divided by revenue and expressed as a percentage.

⁽³⁾ Calculated as profit for the year divided by revenue and expressed as a percentage.

EBITDA and Adjusted EBITDA

The table below shows a reconciliation of the Group's EBITDA and Adjusted EBITDA to its profit for the year for each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Profit for the year	124,055,485	223,711,858	355,452,926
Add: Finance cost	167,629,159	122,541,376	171,111,599
Less: Finance income	(821,744)	(273,161)	(699,740,401)
Add: Depreciation	16,803,801	12,210,294	8,639,047
EBITDA	307,666,701	358,190,367	(164,536,829)
Add/less: Gain on re-measurement of properties held for development and sale to investment property	(31,983,394)	—	(2,089,911)
Add/less: Change in fair value of investment property	(36,481,762)	28,179,511	(43,461,656)
Add/less: Impairment/reversal on properties held for development and sale	(8,327,148)	(218,602,547)	226,929,695
Add/less: Impairment/reversal on property, plant and equipment	(13,793,499)	(2,513,194)	16,306,693
Adjusted EBITDA	217,080,898	165,254,137	33,147,992

Certain Operating Data

The table below shows the Group's sales of residential units for each of its three projects in AED millions and by number of units sold for each of the years since it was founded.

	2017	2018	2019	2020	2021	Total
Nasma Residences						
Sales (AED)	232,211,969	306,969,867	309,152,518	429,711,806	188,199,437	1,466,245,597
Sales (no. of units)	175	244	242	323	133	1,117
Aljada						
Sales (AED)	174,103,815	499,975,980	782,672,488	1,194,358,719	1,064,036,790	3,715,147,793
Sales (no. of units)	410	1,184	2,310	1,889	1,801	7,594
Masaar						
Sales (AED)	—	—	—	—	1,166,407,951	1,166,407,951
Sales (no. of units)	—	—	—	—	559	559
Total						
Sales (AED)	406,315,785	806,945,847	1,091,825,006	1,624,070,525	2,418,644,178	6,347,801,340
Sales (no. of units)	585	1,428	2,552	2,212	2,493	9,270

The table below shows the Group's scheduled delivery of residential units by project for each of the years indicated.

	2022	2023	2024	2025
		(Number of units)		
Nasma Residences	149	—	—	—
Aljada	4,870	585 ⁽¹⁾	3,288	2,891
Masaar	— ⁽²⁾	852	1,596 ⁽¹⁾	887
Palm	—	—	—	244
Total	5,019	1,437	4,884	4,022

Notes:

⁽¹⁾ The variability in the number of units delivered from year to year reflects the timing of launches of new phases and the timing of construction and delivery of those phases.

⁽²⁾ The construction of the first phase of Masaar starts in 2021 and the first units will not be delivered until 2022.

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and Other Information", "Selected Financial Information" and the Financial Statements.

The discussion of the Group's financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Offering Circular, particularly under the headings "Cautionary Statement Regarding Forward-Looking Statements" and "Risk Factors".

See "Presentation of Financial and Other Information" for a discussion of the source of the numbers presented in this section and certain other relevant information.

Overview

Arada is the largest property developer in the Northern Emirates of the UAE with a compound annual growth rate in the number of properties sold of 43 per cent. in the five years to 2021 and an existing development portfolio valued at AED 34 billion as at 31 December 2021. Arada currently has nearly 4.5 million square metres under development which will deliver more than 34,000 units of which more than 10,000 residential units have been launched and more than 9,000 sold.

Arada was founded in 2017 by H.R.H Khalid Bin Alwaleed Bin Talal, who holds 60 per cent. of the shares through Corp KBW Investments LLC ("**KBW**"), and H.R.H. Sheikh Sultan bin Ahmed Al Qasimi, who holds 40 per cent of the shares through Basma Group LLC ("**Basma**"), with the intention of creating master-planned communities in the UAE. Arada's focus is on delivering beautiful homes, using sustainable building practices and smart technology wherever possible, surrounded by attractive facilities, for a competitive price and it is dedicated to putting the needs of its customers first. Prioritising its customers allows Arada to do more and do better – for buyers, partners, stakeholders and the communities it serves.

Arada's initial focus has been on Sharjah, where it has three communities under development:

- **Nasma Residences**, a primarily residential development which was launched in March 2017 and covers 278,000 square metres. Nasma Residences is being developed in six phases, five of which have been completed, and comprises residential units, along with a range of complementary amenities;
- **Aljada**, a mixed use development which was launched in September 2017 and covers 2.2 million square metres. Aljada is being developed in 14 blocks, one of which has been completed and delivered and four of which are under construction. Aljada comprises residential, commercial, retail, hospitality and leisure and entertainment components; and
- **Masaar**, a primarily residential development comprising 4,000 homes in eight gated communities which was launched in January 2021 and covers 1.8 million square metres. Masaar is an upscale forested community containing more than 50,000 trees.

On 17 January 2022, Arada agreed to acquire the last beachfront land plot on the Crescent of the Palm Jumeirah development in Dubai, its first acquisition of land outside Sharjah. The consideration is being paid in instalments and Arada will gain title to the plot when the final instalment is paid towards the end of 2022.

Arada is funding the construction of its developments through equity, bank loans and the proceeds from sales of residential units in its developments.

Arada's strategic goal is to deliver world-class communities while prudently expanding the Group's footprint. It aims to achieve this goal through ensuring that its developments are de-risked as far as is possible, increasingly diversifying its cash flows and expanding the sources of finance which it is able to access.

Principal Factors Affecting Results of Operations

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

Factors affecting revenue

The Group's principal source of revenue in each of 2021, 2020 and 2019 was proceeds from the sale of residential units constructed on its behalf. Residential units are periodically launched for sale and sold off-plan prior to their construction, with the sales proceeds being paid in instalments over the period of construction.

The Group begins recognising individual residential unit sales as revenue in its consolidated statement of profit or loss and other comprehensive income based on the progress of construction on the relevant development in accordance with IFRS. The Group continues to recognise revenue over the life of the development on a percentage of completion basis.

In terms of cash collections, customers make payments according to the terms of the relevant purchase contract. Collection during the construction period is approximately 20 to 30 per cent. of the purchase price and comprises the initial deposit and additional payments due on specified dates, with the final payment due upon handover of the completed unit.

The table below shows the Group's units sold and completed and the sales value collected and revenue recognised in each year since 2017.

	2017	2018	2019	2020	2021
No. of units sold.....	585	1,428	2,552	2,212	2,493
Total sales value collected (AED million).....	95	235	603	842	1,150
Construction completed (no. of units)	—	—	107	559	1,507
Revenue recognised (AED million)	—	159	550	1,113	1,284

Reflecting the above, the Group's revenue in each year has been driven by its off-plan sales of residential units and the progress of construction of those units. As a result, the Group's sales backlog, together with the construction schedules for its projects, provide it with visibility over its revenue in the short- and medium-term. However, the conversion of the Group's sales backlog to revenue and then to cash is ultimately dependent upon the timely and successful completion of the construction of its projects. The Group frequently experiences construction delays in the ordinary course of business and, while such delays may be made up in subsequent stages of a project, delays can have a significant impact on the associated timing of revenue recognition, which could lead to potentially significant fluctuations in the Group's financial results on a periodic basis. This is particularly true with respect to high value projects, where even a small delay in construction progress can result in delays in large amounts of revenue being recognised. See "Risk Factors – Risk factors relating to the Group's business and Arada's ability to fulfil its obligations under the Transaction Documents – The Group's projects may be delayed, suspended, terminated or materially changed in scope, resulting in delayed recognition of revenue and damage to its reputation".

The table below shows the Group's expected revenue recognition from its sales backlog as at 31 December 2021, by project, over the years indicated.

	2022	2023	2024
	(AED million)		
Nasma Residences	58	—	—
Aljada	1,548	467	139
Masaar	743	423	—
Total.....	2,349	890	139

Pricing and sales

The sales prices the Group achieves on its projects have a significant impact on its levels of revenue, gross profit and margins. The Group operates in a global market of premium property buyers and investors from around the world; however, all of its current projects (with the exception of one plot in Dubai) are located in Sharjah. The property and construction markets in the UAE are affected by macroeconomic factors that are beyond the Group's control, such as real estate market conditions generally, changes in interest rates, consumer spending, inflation rates, real estate taxes, and the availability and cost of financing.

The residential real estate development market in the UAE is competitive and this competition may affect the Group's ability to sell its projects at expected prices. The Group targets the prime residential real estate segment with prime locations, superior build quality and finishes and high-quality amenities provided as part of its integrated lifestyle master-planned communities. The Group's competitors may lower their pricing for developments which are comparable to those which the Group is selling, which could result in downward pressure on its pricing. The extent to which the Group's sales team creates demand for its projects also has a direct impact on the prices the Group can achieve. In addition to detailed sales and marketing plans that aim to optimise the prices the Group is able to achieve for its residential units over the life of a project, the Group strategically retains a certain percentage of residential units in particular projects for sale after the initial launch in order to maximise average selling prices and sustain demand.

Sales prices typically increase over the course of the project development process, both at the development and master plan levels. Residential units available in early stage launches are sold at comparatively lower prices to create demand. Higher priced residential units are sold as the project matures, and the Group introduces periodic price increases across its residential units as construction progresses to reflect the decrease in supply. For example, between 2019 and 2021, the Group recorded increases in the average per square foot selling prices of its units at the different phases of its Aljada development ranging between 3.4 per cent. and 17.0 per cent. and at the different phases of its Nasma development ranging between 2.7 per cent. and 6.8 per cent.

The Group targets an average gross margin for its projects of approximately 37 per cent. for mid- and high-rise developments and 44 per cent. for low-rise developments. Its gross margin tends to be lower in the early stages of project development, as lower priced residential units are sold first to activate the project site, and then increases over the course of completion of the project to achieve the targeted overall gross margin. As at 31 December 2021, the Group had an inventory of approximately 23 completed and unsold residential units, with an expected sales value of approximately AED 23 million and an expected gross profit margin of 25 per cent. based on current pricing for these developments.

Different project types produce different profitability profiles. The Group's projects contain different types and configurations of residential living arrangements, including villas, townhouses and apartments (including serviced apartments). In addition to the configurations themselves and the type of development in which they are located (for example, single family home, low-rise or high-rise building, branded building, serviced apartment building), the location of the project and its amenities also have an impact on the prices of the units and, consequently, the margins that the Group is able to achieve.

Cost control

The Group's profit margins are directly correlated to its ability to manage its costs and to make cost-effective purchasing decisions. The most important factor in this regard is the Group's proactive approach to procurement, including its tender management process. The Group leverages its scale across its project portfolio to ensure the best possible terms for procurement of key components and services. The Group has well developed systems in place to maintain its target margins and enhance its operational and financial performance through the management of construction costs and the performance of its contractors. The Group manages the performance of its contractors through a pre-qualification process that comprises both technical and financial elements. The Group places limits on variation orders and changes from its original approved designs, and construction progress and quality is monitored by third-party supervision consultants. Project contracts are lump-sum and awarded at a fixed price, and the Group requires a performance bond equal to 10 per cent. of the contract sum at the time the contract is awarded. The Group's standard form contracts allow it to trigger early termination clauses in the case of non-performing contractors. In addition, the Group spends considerable time in the design phase to ensure that building efficiencies are maximised, including through value engineering processes that allow it to continue to add units to developments as they are being constructed to ensure maximum cost efficiency.

In addition to the efficiencies realised through the Group's procurement and tender oversight processes, the Group's costs and margins are also impacted by raw material and basic input costs which are tied to international commodities prices and thus can fluctuate widely at different points in the economic cycle. The principal raw materials used in construction of the Group's projects are cement, which is procured locally from within the UAE, and steel, which is primarily imported by ship from locations such as India and China. Aluminium and glass are the other principal building components which are also imported from countries in the region. There is a tendency for movements in building prices to partially correlate to movements in raw material prices. The Group's construction contracts are tendered on a fixed price basis, which insulates it from increases in material costs during the course of a particular development.

The impact of COVID-19

The COVID-19 outbreak impacted the Group in 2020, principally through the impact of the lockdown imposed in April and May which resulted in an immediate shift to working from home slowing site activity due to the inability of contractor teams to move between emirates and obstructions in the supply chain for building materials.

The Group sought to address these challenges and, by August 2020, most of them had been mitigated. New launches in August 2020, including new apartment blocks and villa communities at Aljada and a new phase at Nasma Residences, resulted in that month being the best-performing month in the Group's history principally due to increased public awareness of the Group's projects through visits to Madar, increased efforts by the sales team and the fact that many potential customers who would usually have been abroad in August were forced to stay at home.

Reversal of/(allowance for) write-down of properties held for development and sale

In 2019, based on management's assessment of the net realisable value of its properties held for development and sale on the basis of an independent valuer's fair valuation, the Group recorded an AED 227 million write-down in the residual value of the Aljada land due to negative market conditions.

In 2020, the Group reversed AED 219 million of the write-down made in 2019, principally reflecting infrastructure development undertaken on the Aljada land and improved market conditions.

In 2021, the Group reversed the remaining AED 8 million of the write-down made in 2019, principally reflecting infrastructure development undertaken on the Aljada land and improved market conditions.

Evolving mix of revenue streams

The Group is seeking to diversify its revenue streams. As part of this strategy, the Group established Wellfit in October 2020. Wellfit currently operates one of the largest fitness centres in the UAE (a 60,000 square foot facility in Dubai) as well as another fitness centre in the Nasma community. The Group plans to open three further fitness centres in 2022.

The Group has also partnered with Sabis International to run its school in the Aljada community. This school opened in September 2021. The Group plans to deliver two more schools in Aljada on a built to suit long-term rental model, one in late 2023 and the other in 2027.

The Group has entered into a partnership with Emaar Hospitality Group to launch a four star Vida hotel with 175 keys in its Aljada development. Two further Emaar Hospitality hotels are planned: a five star The Address hotel with 172 keys and a three star Rove Hotel with 202 keys. These are currently expected to be delivered in 2026 and 2027.

The Group also operates food trucks in Zad, Aljada, a farmers market known as Manbat (which it launched in conjunction with the UAE Ministry of Climate Change and Environment in early 2021) which currently operates in four locations (including Nasma and Aljada) and, in addition, the Group is building a portfolio of retail assets and currently owns and leases 118 retail units, which were 77 per cent occupied as at 31 December 2021.

Recent Developments

In January 2022, the Group entered into an agreement with Nakheel for the purchase of a beachfront plot of 20,500 square metres on the Crescent of The Palm Jumeirah for AED 240 million as part of its strategy to develop property elsewhere in the UAE. The Group is planning a mixed-use project on Palm Jumeirah, which will contain residential, leisure and food and beverage elements. The project is expected to launch in the third quarter of 2022. Located on The Palm's East Crescent, the plot is close to the Waldorf Astoria, Dubai Palm Jumeirah and Sofitel Dubai The Palm. The Group's Palm project is expected to be a landmark project and will allow the Group to diversify into one of the world's most respected and competitive real estate markets.

In 2022, the Group, in association with Australian retailer Boost Juice, intends to launch the Boost Juice business across the UAE through a Master Franchise Agreement which was executed in February 2022. Boost Juice Bars is an Australian retail outlet that specialises in selling fruit juice and smoothies. It was

formed in 2000 and now has expanded internationally with more than 500 franchised stores in Asia, Europe, South America and the United Kingdom.

Significant Accounting Policies

The Financial Statements have been prepared in accordance with IFRS. For a discussion of the significant accounting policies applied by the Group generally, see note 3 to the 2021 Financial Statements.

Critical Accounting Judgments and Estimates

In preparing the Group's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Group's financial statements, see note 31 to the 2021 Financial Statements, which identifies the following nine factors:

- Useful lives and depreciation of property, plant and equipment;
- Impairment loss on receivables;
- Write down of properties held for development and sale;
- Valuation of investment properties; and
- Revenue from contracts with customers.

Results of Operations

Revenue

The Group's revenue is principally derived from the sale of residential units and is recognised in accordance with IFRS 15 over the period of construction. In 2021, the Group additionally recorded AED 3 million revenue from leased properties, being the retail units it has retained in its developments, and AED 6 million other revenue, which was derived from the operator of its school which opened in September and its Wellfit fitness centres.

The table below shows the Group's revenue in each of 2021, 2020 and 2019.

	2021	2020 (AED)	2019
Revenue.....	1,293,391,972	1,113,326,829	549,693,448

The Group's revenue amounted to AED 1,293 million in 2021 compared to AED 1,113 million in 2020 and AED 550 million in 2019.

The increase of AED 180 million, or 16.2 per cent., in the Group's revenue in 2021 compared to 2020 and the increase of AED 564 million, or 102.5 per cent., in the Group's revenue in 2020 compared to 2019 each principally reflected greater progress on the Group's projects in 2020 compared to 2019.

The Group recognises revenue in respect of a residential unit based on the progress of construction of the relevant development. The table below shows the sales history of the Group's residential units at its three projects under development in each of 2017, 2018, 2019, 2020 and 2021.

	2017	2018	2019	2020	2021
	(No. of units sold)				
Nasma Residences	175	244	242	323	133
Aljada	410	1,184	2,310	1,889	1,801

	2017	2018	2019	2020	2021
			(No. of units sold)		
Masaar	—	—	—	—	559
Total	585	1,428	2,552	2,212	2,493

Direct cost

The Group's direct cost principally comprises the cost it incurs in the construction of the residential units which it sells and is also recognised over the period of construction. In 2021, the Group also incurred AED 3 million in other direct costs, which related to its school and fitness centres.

The table below shows the Group's direct costs in each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Direct cost	940,715,362	831,956,409	414,835,008

The Group's direct cost amounted to AED 941 million in 2021 compared to AED 832 million in 2020 and AED 414 million in 2019.

The increase of AED 109 million, or 13.1 per cent., in the Group's direct cost in 2021 compared to 2020 and the increase of AED 417 million, or 100.6 per cent., in the Group's direct cost in 2020 compared to 2019 each principally reflected greater progress on the Group's projects in 2020 compared to 2019.

Gross profit

Reflecting the above factors, the Group's gross profit was AED 353 million in 2021 compared to AED 281 million in 2020 and AED 135 million in 2019, an increase of AED 71 million, or 25.3 per cent., in 2021 compared to 2020 and an increase of AED 147 million, or 108.6 per cent., in 2020 compared to 2019.

The Group's gross profit margins were 27.3 per cent. in 2021, 25.3 per cent. in 2020 and 24.5 per cent. in 2019.

Other income

The Group's other income amounted to AED 49 million in 2021 compared to AED 7 million in 2020 and AED 4 million in 2019.

The increase of AED 42 million in the Group's other income in 2021 compared to 2020 principally reflected higher revenue from food truck leasing than in 2020 as well as administration charges levied for unit owners at the time of handing over the unit in 2021 compared to no equivalent income in 2020. The increase of AED 3 million, or 68.4 per cent., in the Group's other income in 2020 compared to 2019 principally reflected income from food truck leasing which commenced in February 2020.

General and administrative expenses

The Group's general and administrative expenses principally comprise the salaries and related expenses of employees directly engaged in general and administrative activities and the depreciation cost in relation to property, plant and equipment and right-of-use assets used in general and administrative activities, which together comprised 74.9 per cent. of the Group's total general and administrative expenses in 2021 compared to 87.1 per cent. in 2020 and 87.4 per cent. in 2019.

The table below shows the breakdown of the Group's general and administrative expenses in each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Employee related expenses	62,460,189	52,290,545	44,206,282
Depreciation	16,803,801	12,210,294	8,639,047
Legal and professional expenses	3,523,909	1,110,778	649,701
Other expenses	22,862,805	8,464,498	6,942,015
Total general and administrative expenses	105,650,704	74,076,115	60,437,045

The Group's general and administrative expenses amounted to AED 106 million in 2021 compared to AED 74 million in 2020 and AED 60 million in 2019.

2021 and 2020 compared

The increase of AED 32 million, or 42.6 per cent., in general and administrative expenses in 2021 compared to 2020 principally reflected an increase of AED 14 million, or 170.1 per cent., in other expenses coupled with an increase of AED 10 million, or 19.5 per cent., in the Group's employee-related expenses and an increase of AED 5 million, or 37.6 per cent., in depreciation.

The increase in other expenses in 2021 compared to 2020 principally reflected increased activities in the Group's education and fitness subsidiaries and the result of organic growth which resulted in increased costs including higher facilities management costs and repairs and maintenance costs for the retail assets. The increases in employee-related expenses reflected the recruitment of an increased number of real estate professionals and the increase in depreciation principally reflected the addition of depreciable assets such as the Group's school and fitness centres.

2020 and 2019 compared

The increase of AED 14 million, or 22.6 per cent., in general and administrative expenses in 2020 compared to 2019 principally reflected an increase of AED 8 million, or 18.3 per cent., in the Group's employee-related expenses and an increase of AED 4 million, or 41.3 per cent., in depreciation.

The increases in the Group's employee-related expenses and depreciation charge in 2020 compared to 2019 both principally reflected growth in the Group's activities.

Sales and marketing expenses

The Group's sales and marketing expenses principally comprise the sales commission paid to the Group's sales agents and advertising expenses (in 2020 and 2019), which together comprised 79.7 per cent. of the Group's total sales and marketing expenses in 2021 compared to 75.4 per cent. in 2020 and 62 per cent. in 2019.

The table below shows the breakdown of the Group's sales and marketing expenses in each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Sales commission.....	41,116,221	46,917,261	20,220,642
Advertisement expense	23,702,457	12,137,663	13,112,256
Other expenses	16,472,575	19,244,396	20,431,524
Total sales and marketing expenses	81,291,253	78,299,320	53,764,422

The Group's total sales and marketing expenses amounted to AED 81 million in 2021 compared to AED 78 million in 2020 and AED 54 million in 2019.

2021 and 2020 compared

The increase of AED 3 million, or 3.8 per cent., in total sales and marketing expenses in 2021 compared to 2020 principally reflected an increase AED 12 million, or 95.3 per cent., in advertisement expense, AED 8 million or 114.3 per cent in a portion of other expenses including higher media spend, outdoor advertisements costs and ancillary marketing activities undertaken to increase the Group's visibility and promote its brand, including the leasing of stands within shopping malls. These increases were offset by there being no registration expense (forming part of "Other expenses" in the table above) in 2021 compared to AED 11 million registration expenses in 2020 and AED 6 million, or 12.4 per cent., lower sales commission in 2021 than in 2020. The reason why no registration fees were incurred in 2021 was that the Sharjah Land Department stopped requiring developers to pay a 1 per cent. registration fee in 2021. The lower other sales commission in 2021 compared to 2020 principally reflected an increase in the proportion of direct sales made by the Group which are commission free and which more than offset increased overall sales by the Group in 2021 compared to 2020.

2020 and 2019 compared

The increase of AED 25 million, or 45.6 per cent., in sales and marketing expenses in 2020 compared to 2019 principally reflected an increase AED 27 million, or 132.0 per cent., in sales commission paid, which principally reflected higher sales of residential units and higher commission rates paid in 2020 compared to 2019 which offset an increase in the proportion of direct sales made by the Group and an increase of

AED 6 million, or 108.7 per cent., in registration expense (forming part of "Other expenses" in the table above), which reflected the higher volume of residential unit sales registered upon handover of the units.

These increases were offset by there being no project launch expense (forming part of "Other expenses" in the table above) in 2020 compared to AED 3 million of such expenses in 2019, owing to a significant launch event arranged for Aljada.

Gain on re-measurement of development properties on transfer to investment properties

In 2021, the Group transferred AED 64 million from property held for development and sale to investment property. This mainly reflected the value of completed retail units as the Group retains all its completed retail units for leasing with the intention of generating recurring revenue.

In 2019, the Group transferred the remaining part of the Aljada Central Hub from a development property to an investment property to comply with IFRS requirements following a change in planned use. This transfer resulted in a revaluation gain of AED 2 million. No similar transfers were made in 2020 or 2021.

Change in fair value of investment properties

The Group's investment properties are recognised at fair value. These properties are fair valued annually by an independent professionally qualified valuation firm with experience in property valuations in the locations and segments of the properties being valued. These valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors. The valuer used the residual method of valuation. The fair value of each of the Group's investment properties reflects its gross development value when completed after deducting all construction costs, soft costs, developer's profit and finance costs associated with the property.

Any change in the fair value of the Group's investment properties from year to year is recognised in the statement of profit or loss. In 2021, the Group recognised an AED 36 million increase in the fair value of its investment properties compared to a negative change in fair value of AED 28 million in 2020 and a positive change in fair value of AED 43 million in 2019.

The positive change in fair value in 2021 principally reflected an increase in interest generated in the Aljada master development and increased sales prices for residential units in Aljada. The negative change in fair value in 2020 principally reflected uncertainty surrounding the impact of the COVID-19 pandemic. The positive change in fair value in 2019 principally reflected improved market conditions.

Reversal of/(allowance for) write-down of properties held for development and sale

In 2019, the Group wrote down its properties held for development and sale by AED 227 million and subsequently reversed this write down in each of 2020 and 2021.

See "– Principal factors affecting results of operations – Reversal of/(allowance for) write-down of properties held for development and sale".

Reversal of/(allowance for) impairment of property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than inventory, for indications of impairment. An impairment loss is recognised in profit or loss if the Group determines that the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

In 2019, the Group transferred AED 27 million of properties held for sale to property, plant and equipment reflecting management's decision to retain and operate the school plot in Aljada as part of its strategy to diversify its revenue. An allowance for impairment of AED 16 million was recognised in respect of this property because of a drop in valuation due to market conditions in 2019.

In each of 2020 and 2021, the Group recognised an AED 3 million and an AED 14 million, respectively, reversal of the impairment of property, plant and equipment made in 2019.

Impairment recognised on trade receivables and contract assets

Contract assets reflect the Group's right to consideration for work completed but not yet billed at the reporting date. These contract assets become trade receivables when the rights become unconditional. Both contract assets and trade receivables are financial assets held at amortised cost.

Under IFRS 9, the Group determines its expected credit loss on its trade receivables and contract assets over their lifetime, a process which requires considerable judgment based on the Group's past history, existing market conditions and forward looking estimates made at the end of each year.

The table below shows the Group's impairment recognised on trade receivables and contract assets in each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Impairment recognised on trade receivables and contract assets ...	16,958,111	1,353,914	524,991

The increase in the impairment amount in each 2020 compared to 2019 principally reflect the increase in the volume of the Group's trade receivables and contract assets.

Share of results from an equity accounted investee

In March 2020, the Group acquired a 25 per cent. shareholding in Nextgen Robopark Investment LLC ("NRIL"), which has a 30 year concession on land to construct, operate and transfer a commercial complex with an attached automated car parking system. The Group accounts for NRIL as an associate, which means that the Group's proportionate share of the profits and losses of NRIL are recorded in the Group's statement of profit or loss. In 2020, the Group's share of the results of NRIL was AED 18 million. In 2021, the Group's share of the results of NRIL was AED 2 million. The sharp decline in profit for 2021 was due to extraordinary profit recognised on the acquisition of NRIL in 2020.

The Group had no equity accounted investees in 2019.

Finance cost and finance income

The Group's finance cost principally represents the amortisation cost of its payable to the Sharjah government and, to a lesser extent, the amounts it pays on its bank borrowings and (in 2021) the amortisation cost of non-current trade payables, which relate to land purchased in 2021 for the Masaar project which is payable over a 10-year term. The Group's payable to the Sharjah government represents the outstanding purchase cost of land acquired in 2017 which amounted to AED 2,177 million as at 31 December 2021. AED 1,600 million of this amount is payable as a bullet payment in 2029 and the balance is payable in instalments over a period of 16 years from 2019 based on the achievement of agreed off-plan sales.

In 2021 and 2020, the Group's finance income represented the interest it received on a loan made to a related party and, in 2019, the Group's finance income represented the gain on discounting of the payable to the Sharjah government. The gain arose on the restructuring of the payable in 2019 into two tranches, one of which was repayable as a bullet payment in 2029.

The table below shows the breakdown of the Group's finance cost and finance income in each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
Finance cost.....			
Amortisation of balance payable to the Government of Sharjah	101,130,197	102,199,645	58,931,657
Amortisation of non-current balance of due to related party	21,773,503	—	—
Finance cost on bank borrowings	31,209,454	14,103,789	105,436,030
Guarantee charges	10,630,360	4,505,534	—
Interest expense on lease liabilities.....	1,608,320	584,394	545,450
Bank charges.....	1,277,325	1,148,014	1,227,070
Interest expense on a balance with a related party	—	—	4,971,392
Total finance cost	167,629,159	122,541,376	171,111,599
Finance income			
Interest income from loan to a related party.....	821,744	273,161	—

	2021	2020	2019
		(AED)	
Gain on discounting of balance payable to the Government of Sharjah.....	—	—	699,740,401
Total finance income.....	821,744	273,161	699,740,401

2021 and 2020 compared

The Group's finance cost increased by AED 45 million, or 36.8 per cent., in 2021 compared to 2020. This principally reflected an AED 22 million amortisation of a balance payable to a third party in respect of the purchase in 2021 of a land plot for the Masaar project where the purchase price is payable over 10 years based on the achievement of an agreed off sales plan and an increase of AED 17 million, or 121.3 per cent., in finance cost on bank borrowings due to increased borrowing.

2020 and 2019 compared

The Group's finance cost fell by AED 49 million, or 28.4 per cent., in 2020 compared to 2019. This principally reflected a reduction of AED 91 million, or 86.6 per cent., in finance cost on bank borrowings which was offset by an increase of AED 43 million, or 73.4 per cent., in the amortisation cost relating to the Sharjah government payable. In 2019, as part of the restructuring described above, the Group obtained AED 1,600 million from the Sharjah government which it used to repay an existing bank loan.

Profit for the year

Reflecting the above factors, the Group's profit for the year was AED 124 million in 2021 compared to AED 224 million in 2020 and AED 355 million in 2019, an decrease in profit of AED 100 million, or 44.5 per cent., in 2021 compared to 2020 and a decrease in profit of AED 132 million, or 37.1 per cent., in 2020 compared to 2019.

The Group's net profit margins were 9.6 per cent. in 2021, 20.1 per cent. in 2020 and 64.7 per cent. in 2019.

Analysis of Certain Consolidated Statement of Financial Position Items

Assets

The Group's principal assets are its properties held for development and sale which amounted to AED 2,879 million, its trade, contract and other receivables which amounted to AED 980 million and its investment properties which amounted to AED 572 million. Together, these asset categories accounted for 81.3 per cent. of the Group's total assets of AED 5,448 million as at 31 December 2021.

Properties held for development and sale

As at 31 December 2021, properties held for development and sale amounted to AED 2,879 million, or 52.8 per cent. of the Group's total assets of AED 5,448 million, compared to AED 2,534 million, or 57.5 per cent. of the Group's total assets of AED 4,409 million, as at 31 December 2020 and AED 2,383 million, or 68.4 per cent. of the Group's total assets of AED 3,485 million, as at 31 December 2019.

As at 31 December 2021, properties held for development and sale amounting to AED 1,427 million, or 26.2 per cent. of the Group's total assets of AED 5,448 million, were mortgaged against credit facilities provided to the Group.

Land or buildings identified as held for sale, including buildings under construction, are classified as properties held for development and sale. These properties are stated at the lower of cost and estimated net realisable value. For this purpose, cost comprises construction costs and other related direct or operating costs and estimated net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

Properties held for development and sale are valued annually by an independent, professionally qualified and experienced valuer. The amount of any write down of properties held for development and sale arising out of these valuations is recognised as an expense in the period in which the write-down occurs. The amount of any reversal of write-down is recognised in profit or loss in the period in which the reversal occurs, but only to the extent that the carrying value of the affected property does not exceed its actual cost.

Properties held for development and sale may be transferred to:

- investment property where there is a change in use of the property and it becomes held for rental or capital appreciation or both; or
- property, plant and equipment where the property becomes owner occupied.

Transfers of properties held for development and sale to investment property are made at fair value and any gain arising on the transfer is recognised in profit or loss at the time of the transfer. Transfers of properties held for development and sale to property, plant and equipment are made at the carrying value of the property at the date of transfer.

See note 11 to each of the Financial Statements for tables showing the movements in properties held for development and sale in each of 2021, 2020 and 2019.

Trade, contract and other receivables

As at 31 December 2021, trade, contract and other receivables amounted to AED 980 million, or 18.0 per cent. of the Group's total assets of AED 5,448 million, compared to AED 985 million, or 22.3 per cent. of the Group's total assets of AED 4,409 million, as at 31 December 2020 and AED 419 million, or 12.0 per cent. of the Group's total assets of AED 3,485 million, as at 31 December 2019.

Trade, contract and other receivables comprise amounts that are yet to be collected from customers. Receivables for which an invoice has been issued in accordance with the relevant sales contract but has remained unpaid are classified as trade receivables. Those receivables which are recognised but unpaid because the relevant construction milestone required for invoicing has not yet been reached are classified as contract assets.

The table below shows the Group's trade receivables and contract assets as at 31 December in each of 2021, 2020 and 2019.

	As at 31 December		
	2021	2020	2019
		(AED)	
Trade receivables			
Amounts receivable within 12 months	333,580,443	432,206,762	257,850,770
Contract assets			
Unbilled receivables within 12 months	284,927,538	276,216,410	14,729,032
Unbilled receivables after 12 months	—	113,629,376	2,419,611
Total trade receivables and contract assets.....	618,507,981	822,052,548	274,999,413

As at 31 December 2021, the Group's allowance for impairment in respect of its trade receivables and contract assets was AED 2 million compared to AED 2 million as at 31 December 2020 and AED 1 million as at 31 December 2019, amounting to impairment rates (determined as the impairment amount divided by total trade receivables and contract assets) of 0.33 per cent. as at 31 December 2021, 0.25 per cent. as at 31 December 2020 and 0.25 per cent. as at 31 December 2019.

As at 31 December 2021, the Group's overdue trade receivables and contract assets was AED 302 million compared to AED 420 million as at 31 December 2020. None of the Group's trade receivables and contract assets were overdue as at 31 December 2019.

Investment properties

As at 31 December 2021, investment properties amounted to AED 572 million, or 10.5 per cent. of the Group's total assets, compared to AED 410 million, or 9.3 per cent. of the Group's total assets, as at 31 December 2020 and AED 418 million, or 12.0 per cent. of the Group's total assets, as at 31 December 2019.

Land and buildings (including under construction) held by the Group for rental or capital appreciation is classified as investment property. Investment property is initially measured at cost, including related transaction costs and thereafter is fair valued in accordance with IAS 40: *Investment Property*. Any gain or loss arising from the fair valuation is recognised in profit or loss.

Valuations of the Group's investment property are carried out by an independent, professionally qualified and experienced valuer in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors, using the residual method.

Liabilities

The Group's principal liabilities are its payable to the Sharjah government which amounted to AED 2,177 million, its trade and other payables which amounted to AED 591 million, its borrowings of AED 920 million and its advances from customers of AED 568 million. Together, these liability categories accounted for 88.3 per cent. of the Group's total liabilities of AED 4,821 million as at 31 December 2021.

Due to related parties

The Group's due to related parties amounted to AED 514 million, or 10.7 per cent. of the Group's total liabilities of AED 4,821 million, as at 31 December 2021, AED 18 million, or 0.5 per cent. of the Group's total liabilities of AED 3,697 million, as at 31 December 2020 and AED 420,746, or 0.0 per cent. of the Group's total liabilities of AED 2,997 million, as at 31 December 2019.

This due to related parties amount comprises AED 499 million, which represents the non-current portion of the amount payable against the purchase of land during 2021 (amounting to AED 690 million net of the present value impact on the long-term payable). In accordance with the sale and purchase agreement, this amount is payable over a 10-year period based on the achievement of an agreed off-sales plan.

Payable to the Sharjah government

The Group's payable to the Sharjah government amounted to AED 2,177 million, or 45.2 per cent. of the Group's total liabilities of AED 4,821 million, as at 31 December 2021, AED 2,093 million, or 56.6 per cent. of the Group's total liabilities of AED 3,697 million, as at 31 December 2020 and AED 2,011 million, or 67.1 per cent. of the Group's total liabilities of AED 2,997 million, as at 31 December 2019.

This payable initially represented amounts owed by the Group to the Sharjah government in respect of land purchased and was restructured in 2019 when the Sharjah government provided an additional amount of AED 1,600 million to the Group which was used to repay an outstanding loan. Under the restructuring agreement, the revised consideration payable to the Sharjah government was agreed to be AED 3,200 million, of which AED 1,600 million is repayable as a bullet payment in 2029 and AED 1,600 million is repayable in 16 instalments from 2019 based on the Group's achievement of agreed off-plan sales.

Trade and other payables

The Group's trade and other payables amounted to AED 591 million, or 12.3 per cent. of the Group's total liabilities of AED 4,821 million, as at 31 December 2021, AED 430 million, or 11.6 per cent. of the Group's total liabilities of AED 3,697 million, as at 31 December 2020 and AED 256 million, or 8.5 per cent. of the Group's total liabilities of AED 2,997 million, as at 31 December 2019.

Borrowings

The Group's borrowings amounted to AED 920 million, or 19.1 per cent. of the Group's total liabilities of AED 4,821 million, as at 31 December 2021, AED 379 million, or 10.3 per cent. of the Group's total liabilities of AED 3,697 million, as at 31 December 2020 and AED 210 million, or 7.0 per cent. of the Group's total liabilities of AED 2,997 million, as at 31 December 2019.

The table below shows the Group's borrowings as at 31 December in each of 2021, 2020 and 2019.

	As at 31 December		
	2021	2020	2019
		(AED)	
Non-current			
Long-term bank borrowings	484,234,062	183,666,975	210,450,900
Current			
Current portion of bank borrowings	415,858,976	190,552,311	—
Bank overdrafts	19,999,331	5,092,373	—
	435,858,307	195,644,684	—
Total borrowings	920,092,369	379,311,659	210,450,900

The table below shows the movement in the Group's borrowings in each of 2021, 2020 and 2019.

	2021	2020	2019
		(AED)	
At 1 January	379,311,659	210,450,900	1,600,000,000
Borrowings obtained during the year	748,442,955	217,887,907	231,031,695
Borrowings repaid during the year	(222,569,203)	(54,119,520)	(1,620,580,795)
	905,185,411	374,219,287	210,450,900
Bank overdrafts ⁽¹⁾	14,906,958	5,092,372	—
At 31 December	920,092,369	379,311,659	210,450,900

Note:

⁽¹⁾ The Group's overdraft is netted off against its cash and cash equivalents in the Financial Statements.

The Group's outstanding borrowings as at 31 December 2021 comprised:

- an advance in the amount of AED 400 million from Mashreqbank psc obtained in December 2018 for a term of three years and bearing a rate of return equal to three-month EIBOR plus a margin. The advance is repayable in quarterly instalments with the last instalment falling due in October 2022;
- an advance in the amount of AED 60 million from Mashreqbank psc obtained in July 2021 for a term of 12 years and bearing a rate of return equal to three-month EIBOR plus a margin. The advance is repayable in 48 quarterly instalments with the last instalment falling due in March 2033;
- three advances from Dubai Islamic Bank PJSC in amounts of AED 200 million, AED 100 million and AED 250 million, respectively. All of the advances bear a rate of return equal to EIBOR plus a margin. The first advance was repaid in March 2022. The second advance is payable in six monthly instalments, with the final instalment being paid in December 2022 and the third advance is payable in 12 monthly instalments from February 2023, with the final instalment being paid in January 2024;
- an advance in the amount of AED 75 million from Sharjah Islamic Bank PJSC obtained in July 2021 for a term of three years and bearing a rate of return equal to three-month EIBOR plus a margin. The advance is repayable in 18 monthly instalments with the last instalment falling due in August 2024;
- an advance in the amount of AED 100 million from Commercial Bank International PSC – CBI Al Islami obtained in September 2021 for a term of three years and bearing a rate of return equal to three-month EIBOR plus a margin. The advance is repayable in 12 monthly instalments with the last instalment falling due in September 2024; and
- three advances from Ajman Bank PJSC in amounts of AED 37 million, AED 40 million and AED 75 million, respectively. All of the advances bear a rate of return equal to EIBOR plus a margin. The first advance is repayable in six monthly instalments with the last instalment falling due in December 2022. The second advance is payable in 30 quarterly instalments, with the final instalment being paid in December 2030 and the third advance is payable in 30 quarterly instalments, with the final instalment being paid in September 2023.

All of the Group's bank facilities are secured by mortgages over identified properties. In addition, other security afforded to some of the facilities includes the assignment of receivables on sales of certain projects and/or the assignment of project insurances and, in some cases, performance bonds.

The Group's advances contain a range of typical covenants for financings of their type, including financial covenants that vary among the borrowings but include covenants to:

- maintain maximum finance to value ratios, ranging from 42 per cent. to 70 per cent.; and
- maintain its net worth at a minimum level of AED 450 million at all times.

Of the Group's AED 920 million borrowings outstanding as at 31 December 2021, 45 per cent. was scheduled to mature within 12 months. The table below summarises the maturity profile of the Group's borrowings as at 31 December 2021.

	As at 31 December 2021	
	<i>(AED)</i>	<i>(per cent.)</i>
Repayable within 12 months.....	435,858,307	47.4
Repayable between 1 and 3 years.....	393,334,476	42.7
Repayable between 3 and 5 years.....	24,346,692	2.7
Repayable after 5 years.....	66,552,894	7.2
Total.....	920,092,369	100.0

Advances from customers

The Group's advances from customers amounted to AED 569 million, or 11.8 per cent. of the Group's total liabilities of AED 4,821 million, as at 31 December 2021, AED 762 million, or 20.6 per cent. of the Group's total liabilities of AED 3,697 million, as at 31 December 2020 and AED 506 million, or 16.9 per cent. of the Group's total liabilities of AED 2,997 million, as at 31 December 2019.

The Group's advances from customers, which are also referred to as contract liabilities, represent instalments of the purchase price for properties received from its customers in advance of the property being completed and handed over to the customer.

Equity

As at 31 December 2021, the Group's authorised, issued and paid up share capital amounted to AED 200 million and comprised 200,000 shares of AED 1,000 each. As at the same date, the Group's retained earnings amounted to AED 412 million. Under UAE law and Arada's Articles of Association, a minimum of 10 per cent. of each Group company's net profit must be allocated to a legal reserve, which is not distributable. This allocation is no longer required when the legal reserve reaches 50 per cent. of the Group's paid up capital. As at 31 December 2021, the legal reserve amounted to AED 14 million, or 7.2 per cent. of the Group's paid up capital of AED 200 million.

Liquidity

Overview

The Group's principal liquidity requirements arise from the need to fund the development of its projects. During the three years under review, the Group's liquidity needs were funded both from bank borrowings and from pre-sales of its residential units.

Following the sale of a residential unit, customer payments are held in an escrow account. All construction payments are made from the associated project escrow account. The Group is permitted to withdraw cash from its escrow accounts before project completion to the extent that the relevant balance exceeds the construction costs remaining on the project. The Group is required to maintain an amount equal to 5 per cent. of construction costs of the relevant project in the associated escrow account for a period of one year following completion of the project.

Cash flow from the Group's projects includes cash collected from the sale of residential units and cash paid for construction costs.

The Group's cash and cash equivalents as at 31 December 2021 were AED 470 million compared to AED 55 million as at 31 December 2020 and AED 66 million as at 31 December 2019.

Cash flow

The table below summarises the Group's consolidated statement of cash flows for each of 2021, 2020 and 2019.

	2021	2020	2019
		<i>(AED)</i>	
Operating profit before working capital changes	235,752,852	151,223,223	35,602,234
Net cash generated from/(used in) operating activities	282,495,857	46,201,398	(4,241,425)
Net cash used in investing activities.....	(151,954,781)	(203,243,647)	(29,486,146)
Net cash generated from financing activities	269,484,196	140,911,786	91,575,826

	2021	2020	2019
		(AED)	
Net increase/(decrease) in cash and cash equivalents	400,025,272	(16,130,463)	57,848,255
Cash and cash equivalents at the beginning of the year	50,267,884	66,398,347	8,550,092
Cash and cash equivalents at the end of the year	450,293,156	50,267,884	66,398,347

The Group's net cash generated from operating activities in 2021 was AED 282 million compared to AED 46 million in 2020 and AED 4 million in 2019. The Group's operating profit before working capital changes, being its profit for the year adjusted for non-cash transactions, was AED 236 million in 2021 compared to AED 151 million in 2020 and AED 36 million in 2019. The Group's principal working capital change in 2021 compared to 2020 was inflows from trade, contract and other receivables reflecting instalment collections received from customers in relation to units sold and final payments in respects of units delivered as more units were sold and delivered in 2021 than in 2020. This, coupled with improved payment terms with contractors and other suppliers, helped the Group to substantially increase its cash flow from operating activities in 2021 compared to 2020. The Group's principal working capital change in 2020 compared to 2019 was negative due to extended payment terms offered to customers, which eventually resulted in a positive impact in 2021. This reflects typical real estate business where extended payment plans are offered to customers.

The Group's net cash used in investing activities in 2021 was AED 152 million compared to AED 203 million in 2020 and AED 29 million in 2019. In 2021, the principal investments made were AED 132 million for the acquisition of property, plant and equipment, principally reflecting AED 89 million capital work in progress, AED 19 million for land and buildings, AED 5 million for purchases of computers and other equipment, AED 4 million for gym equipment, AED 3 million for vehicle purchases and AED 12 million for furniture and fixtures. In 2020, the principal investments made were AED 81 million for the acquisition of property, plant and equipment, principally reflecting the capital work in progress of AED 73 million, AED 5 million for vehicle purchases and a total of AED 3 million for the purchase of computers, office equipment and furniture and fixtures. In 2019, the principal investments made were AED 26 million for the acquisition of property, plant and equipment, principally reflecting capital work in progress amounting to AED 19 million, AED 2 million for purchases of computers and other equipment. AED 3 million in furniture and fixtures and AED 2 million in construction equipment.

The Group's net cash generated from financing activities in 2021 was AED 269 million compared to AED 141 million in 2020 and AED 92 million in 2019. In 2021, the Group principal financing cash flows were inflows from borrowings obtained during the year amounting to AED 748 million, outflows towards borrowings repaid during the year amounting to AED 223 million, outflows of AED 210 million representing dividends paid and outflows of AED 43 million in finance costs paid. In 2020, the Group's principal financing cash flows were inflows from borrowings obtained during the year amounting to AED 218 million, outflows towards borrowings repaid during the year amounting to AED 54 million and outflows of AED 20 million in finance costs paid. In 2019, the Group's principal financing cash flows were an inflow of AED 1,595 million from the Sharjah government, inflows from borrowings obtained during the year amounting to AED 231 million, outflows towards borrowings repaid during the year amounting to AED 1,621 million and outflows of AED 112 million in finance costs paid.

Capital Commitments

As at 31 December 2021, the Group had total commitments of AED 1,170 million related to under construction properties classified under property, plant and equipment, properties held for development and sale and investment properties. These commitments represent the value of the contracts issued as at the reporting date, net of invoices received and accruals made at that date. No assurance can be given as to the actual amounts of capital expenditure that may be incurred in future periods. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside the control of the Group.

Contingent Liabilities

As at 31 December 2021, the Group had contingent liabilities of AED 6 million relating to performance guarantees.

Related Party Transactions

The Group's principal related party transactions are with its shareholders, its subsidiaries and associates and its directors and executive management and entities controlled by any of them. These transactions include

expenses incurred on behalf of its shareholders, construction cost and design consultancy fees payable to entities owned by its shareholders. These entities include Raimondi group LLC, which is a company owned by Arada's CEO, Klampfer Middle East LLC, which is wholly-owned by Arada's two shareholders, KBW Investments LLC, which is a shareholder of Arada, and Arcadia Middle East LLC, which is majority owned by Basma, Arada's other shareholder. Further information on the Group's related party transactions in 2021, 2020 and 2019 is set out in note 16 to each of the Financial Statements.

Disclosures about Financial Risk

The Group is exposed to a credit, liquidity and interest rate risks as described in note 27 to each of the Financial Statements.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its trade receivables and contract assets from customers, amounts due from its shareholders, its cash at banks and amounts due from related parties and this credit risk was quantified at AED 1,359 million as at 31 December 2021, see note 27 to the 2021 Financial Statements.

The Group's exposure to credit risk from its trade receivables and contract assets is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate has less influence on credit risk. The Group earns its revenues from a large number of customers including international customers.

The Group has entered into contracts for the sale of residential and commercial units and plots of land on an instalment basis. The instalments are specified in the relevant sales contracts. The Group is exposed to credit risk in respect of instalments due. However, the legal ownership of the residential units sold is transferred to the buyer only after all the instalments are recovered. In addition, instalment dues are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant.

The Group establishes an allowance for impairment at each reporting date that represents its estimate of incurred losses in respect of trade receivables and contract assets.

With respect to the Group's credit risk arising from its other financial assets, which comprise bank balances and cash, loan to a related party and amounts due from the shareholders, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by only placing balances with banks of good repute. Given the profile of its bankers and the nature of its shareholders and related party, the Group does not expect any of these counterparties to fail in meeting its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both the Group's financial investments and financial assets and projected cash flows from operations.

The Group's cash flows, funding requirements and liquidity are monitored to optimise the efficiency and effectiveness of the management of its capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Interest rate risk

Interest rate risk primarily arises in relation to the Group's borrowings, all of which have floating rates of return. The Group's sensitivity analysis as at 31 December 2021 shows that a 1 per cent. increase in interest rates at the reporting date would have decreased its profit by AED 9 million, assuming all other variables remained constant.

DESCRIPTION OF THE GROUP'S BUSINESS

Introduction

Arada is the largest property developer in the Northern Emirates of the UAE with a compound annual growth rate in the number of properties sold of 43 per cent. in the five years to 2021 and an existing development portfolio valued at AED 34 billion as at 31 December 2021. Arada currently has nearly 4.5 million square metres under development which will deliver more than 34,000 units of which more than 10,000 residential units have been launched and more than 9,000 sold.

Arada was founded in 2017 by H.R.H Khalid Bin Alwaleed Bin Talal, who holds 60 per cent. of the shares through KBW, and H.R.H. Sheikh Sultan bin Ahmed Al Qasimi, who holds 40 per cent of the shares through Basma, with the intention of creating master-planned communities in the UAE. Arada's focus is on delivering beautiful homes, using sustainable building practices and smart technology wherever possible, surrounded by attractive facilities, for a competitive price and it is dedicated to putting the needs of its customers first. Prioritising its customers allows Arada to do more and do better – for buyers, partners, stakeholders and the communities it serves.

Arada's initial focus has been on Sharjah, where it has three communities under development:

- **Nasma Residences**, a primarily residential development which was launched in March 2017 and covers 278,000 square metres. Nasma Residences is being developed in six phases, five of which have been completed, and comprises residential units, along with a range of complementary amenities;
- **Aljada**, a mixed use development which was launched in September 2017 and covers 2.2 million square metres. Aljada is being developed in 14 blocks, one of which has been completed and delivered and four of which are under construction. Aljada comprises residential, commercial, retail, hospitality and leisure and entertainment components; and
- **Masaar**, a primarily residential development comprising 4,000 homes in eight gated communities which was launched in January 2021 and covers 1.8 million square metres. Masaar is an upscale forested community containing more than 50,000 trees.

On 17 January 2022, Arada agreed to acquire the last beachfront land plot on the Crescent of the Palm Jumeirah development in Dubai, its first acquisition of land outside Sharjah. The consideration is being paid in instalments and Arada will gain title to the plot when the final instalment is paid towards the end of 2022.

Arada is funding the construction of its developments through equity, bank loans and the proceeds from sales of residential units in its developments.

Arada's strategic goal is to deliver world-class communities while prudently expanding the Group's footprint. It aims to achieve this goal through ensuring that its developments are de-risked as far as is possible, increasingly diversifying its cash flows and expanding the sources of finance which it is able to access.

In 2021, the Group's revenue and profit for the year amounted to AED 1,293 million and AED 124 million, respectively, compared to AED 1,113 million and AED 224 million, respectively, in 2020. As at 31 December 2021, the Group's total assets amounted to AED 5,448 million, of which property held for development and sale and investment property amounted to AED 2,879 million and AED 572 million, respectively.

Arada was incorporated as a Sharjah limited liability company under Federal Law No. (8) of 1984 concerning Commercial Companies (as amended) with license number 749506 for an indefinite duration. Its registered office is at Sharjah Muweilah next University City Street, Sharjah and its switchboard telephone number is +971 6 517 7111.

Strategy

Arada's strategic goal is to deliver world-class communities while prudently expanding the Group's footprint. To achieve this goal, Arada focuses on:

Ensuring that the Group's developments are de-risked as far as is possible

As at 31 December 2021, the Group was developing three communities with 2,173 residential units delivered, 5,604 under construction and 26,318 scheduled to be launched and delivered in future periods. As at the same date, the Group's total sales backlog was AED 3,378 million.

Arada focuses on de-risking its development strategy in the following ways:

First, Arada seeks to leverage its preferential access to land, for example through its close relationship with the Sharjah government. As part of this strategy, all of the land acquired by the Group to date has a deferred payment plan, resulting in minimum upfront costs.

Second, Arada believes that pre-selling is the key element in development, and in each of its developments it aims to ensure that its pre-selling benchmark of between 60 and 65 per cent. is reached before it commits to capital expenditure. This helps ensure both that Arada has the flexibility to time the project completion in order to optimise sales and that it can generate sufficient cash flows to pay the contractor and support its construction finance commitments. As at 31 December 2021, 90 per cent. of the Group's launched inventory has been sold and 77 per cent. of its launched inventory has been sold before construction started on the relevant projects.

Third, the Group does not undertake its own construction and instead appoints contractors under a lump sum turnkey contract, thereby passing much of the risk of project delays and cost overruns to the contractor. In relation to its more than 2,000 residential units delivered by 31 December 2021, Arada believes that it has achieved a 4.4 per cent. net saving on contracted value, reflecting the fact that it bulk purchases items such as air conditioning units, lifts and joinery, that are quoted in contracts as provisional sums.

Finally, the Group's terms of sale ensure that it is fully paid by the purchaser before a residential unit is handed over. To the extent that a purchaser defaults in payment, the relevant residential unit will be retained by the Group and re-sold, typically for a higher price. As at 31 December 2021, less than 2 per cent. of the Group's customers have forfeited a residential unit through payment default.

Aiming to increasingly diversify cash flows

Each of the Group's three community developments aims to establish self-sufficient communities through the provision of amenities that meet the wider needs of residents and help to ensure faster occupancy in the delivered communities. These amenities include retail, education, hospitality and leisure and entertainment elements, many of which the Group is able to monetise.

The Group is progressively building a recurring income portfolio by retaining relevant property components in delivered communities, including all of the retail units it has developed and the school it has constructed in Aljada. In 2021, the Group's recurring revenue amounted to AED 9 million, derived as to AED 4 million from leasing retail units. In addition, the Group derived AED 2 million from its Wellfit fitness centres and AED 4 million from educational business. The Group believes that its recurring revenue will increase significantly in future periods as further recurring revenue generating assets are delivered.

The Group is also starting to expand into new geographical markets, with its recent acquisition of a land plot on Palm Jumeirah in Dubai where it plans to launch its fourth community in late 2022.

Access to multiple sources of funding

The Group benefits from strong relations with local and regional banks that help to support its growth. As at 31 December 2021, the Group has borrowings of AED 920 million in the form of term loans from five banks. The issue of the Trust Certificates will help diversify the Group's sources of funding and establish the Group's profile in the capital markets, increasing its ability to raise further debt finance in future periods.

Arada has two supportive and committed shareholders who have together contributed AED 187 million of equity capital to the Group. The Group's total equity was AED 626 million as at 31 December 2021. Arada

anticipates that it may seek further equity funding in the form of either or both of a private placement and a public offering in the coming years.

The Group also aims to conserve cash and enhance liquidity in order to capitalise on the currently available market growth opportunities.

Strengths

The Group's principal strengths are:

Strategic shareholders

Arada's shareholders are companies controlled by H.R.H. Prince Khalid Bin Alwaleed Bin Talal Al Saud and H.R.H. Sheikh Sultan bin Ahmed Al Qasimi. These strategic shareholders are described under "*Group structure and shareholders*" below. Arada believes that the principal tangible and intangible benefits accruing to the Group from these strategic shareholders are:

- equity contributions and other tangible support, for example, as at 31 December 2021, Arada's shareholders had invested AED 187 million by way of equity share capital in the Group; and
- access to a premium land bank on an extended payment plan, for example the land for its three projects in Sharjah was procured from the Sharjah government on an extended payment plan linked to sales.

Sharjah government support

The Group is an integral part of Sharjah's growth plans. Arada was established to serve the high demand for fully integrated communities in Sharjah, helping to diversify the economy and bring substantial foreign direct investment to the emirate.

The Sharjah government provided significant support in connection with Arada's purchase of the land for its Aljada project. This land was purchased in August 2017 from the government for AED 2,800 million, with a three-year payment plan (AED 1 billion upon signing of the agreement and AED 600 million per year payable in December in each of 2018, 2019 and 2020). The Sharjah government provided a guarantee for the significant loan that Arada obtained in order to pay the initial AED 1 billion and the first instalment of AED 600 million for the Aljada land.

In December 2019, the Sharjah government agreed to amend the Aljada land payment to a deferred payment plan of 16 years, calculated based on achievement of off plan sales on a yearly basis (with the revised land purchase price equalling AED 3,200 million). The Sharjah government also repaid the AED 1,600 million paid earlier by Arada, which Arada used to prepay the loans associated with the land purchase.

Arada also benefits from preference in terms of regulatory and infrastructure approvals, such as those required for electricity and water connections, which has speeded up delivery times and, in some cases, it has benefitted from fee waivers, for example for utility connections and land registrations, which has saved cost.

Although the Sharjah government has provided financial support to the Group in the past, there is no assurance that it will continue to provide financial support in the future and the Trust Certificates are not guaranteed by the Sharjah government.

In-house design team

Arada believes that its in-house design team adds value to its product offering by working in parallel with the research and sales team. This helps in terms of continuous feedback and improvement of design to match customer expectations. As a result the Group creates new designs for each master development rather than using existing designs, which helps it to maintain a competitive edge compared to its competitors which frequently re-use their previous designs.

Experienced senior management team

Arada's senior management team comprises experts in multiple areas of property development, including procurement and contracts, sales, brand management, digital and other forms of marketing, design and

events management. Arada believes that none of the other Sharjah developers have in-house expertise in diverse fields such as branding, design, development and delivery.

Marker leader in Sharjah which has resilient real estate dynamics

The concept of integrated community development is new to Sharjah, where the market consists predominantly of single-tower developments. The Group, through its three developments to date, has introduced integrated community development to Sharjah and in 2020 and 2021 it has achieved 63 per cent. and 69 per cent. shares of the total off plan sales of residential properties in Sharjah.

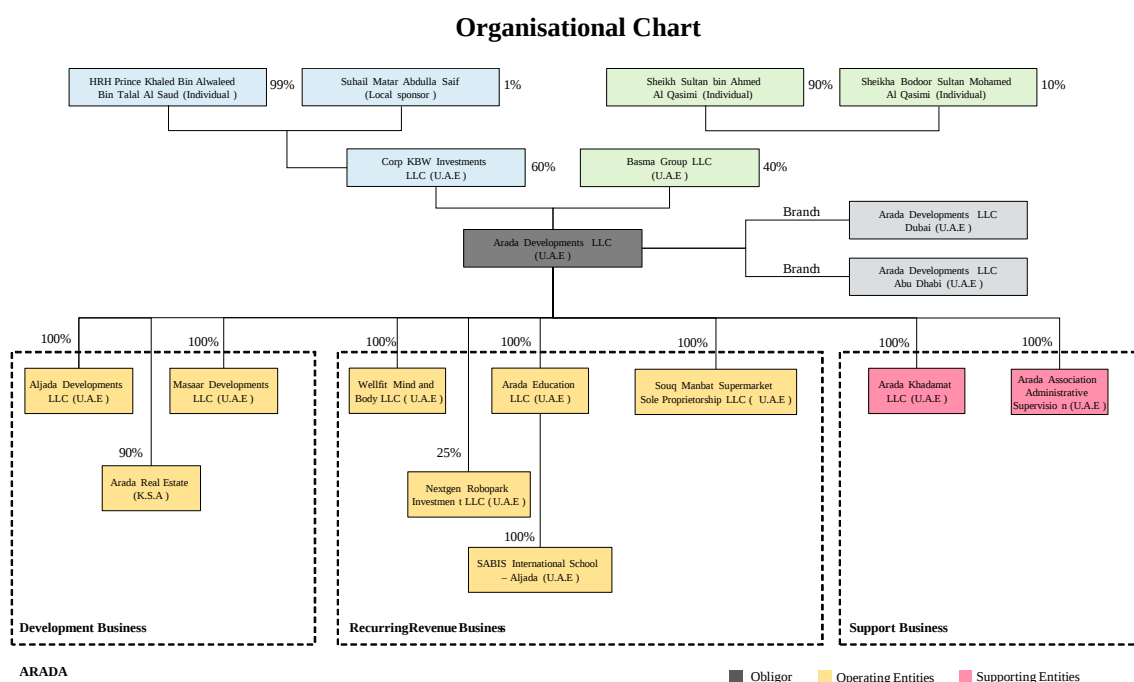
Sharjah is also the best performing residential real estate market in the UAE, with REIDIN Index annual reports showing that the UAE apartment sales index (which equalled 100 in January 2014) was 145 in Sharjah in January 2022 compared to 100 in Ajman, 84 in Dubai and 76 in Abu Dhabi. Sharjah has also shown resilient price stability throughout market cycles, with Sharjah's real estate market proving to be a strong investment even through the COVID-19 affected 2020 and 2021 periods.

The residential sector is a core driver of Sharjah's overall real estate market, making up 75 per cent. of the Emirate's real estate sales transactions in 2020 according to REIDIN Index annual reports and the Sharjah 2021 Investor Handbook.

Group Structure and Shareholders

Group structure

The chart below shows the structure of the Group and its shareholders.



Arada is the parent company of the Group. Arada undertook the development of Nasma Residences itself and has three development subsidiaries:

- Aljada Developments LLC, a wholly-owned subsidiary incorporated in 2018 to undertake the Aljada project;
- Masaar Developments LLC, a wholly-owned subsidiary incorporated in 2021 to undertake the Masaar Project; and
- Arada Real Estate, which is incorporated in Saudi Arabia and is a 90 per cent. owned subsidiary. The term of the company is 99 years starting in 2019. This entity was incorporated in order to undertake development work in Saudi Arabia in the future.

Arada also has four subsidiaries and one joint venture, which are all recurring revenue businesses. These are:

- Arada Education LLC, a wholly-owned subsidiary incorporated in 2021 to oversee and manage schools within Arada communities;
- Wellfit Mind and Body LLC, a wholly-owned subsidiary incorporated in 2020 to operate gyms and fitness clubs including retail, food and beverage, salon and spa elements;
- SABIS International Private School LLC – Aljada, a wholly-owned subsidiary incorporated in 2021 which operates the school located in Aljada that opened in September 2021;
- Souq Manbat Supermarket Sole Proprietorship LLC, a wholly owned subsidiary incorporated in 2021 to operate the Emirati farmers' market that was launched in partnership with the UAE Ministry of Climate Change and Environment;
- NRIL, a 25 per cent. owned joint venture incorporated in 2019. The joint venture has a 30 year concession on land held under a public private partnership agreement with Dubai Courts to construct, operate and transfer a commercial complex with an attached automated car parking system back to the Dubai Courts after the concession period ends.

Finally, the Group has two support entities:

- Arada Khadamat LLC ("**Arada Khadamat**"), a wholly-owned subsidiary incorporated in 2020 to monitor the Group's developments, including maintenance of common areas, units and the provision of after sales services such as cleaning, plumbing, security and waste management; and
- Arada Association Administrative Supervision LLC, a wholly-owned subsidiary incorporated in 2021 to oversee the different owners' associations of the various buildings within each Arada community.

Over time, Arada expects to incorporate further subsidiaries to operate its retail, food truck and hospitality businesses, which are currently operated by Arada.

Shareholders

Arada's shareholders are KBW, which owns 60 per cent. of Arada, and Basma, which owns 40 per cent. of the shares in Arada.

H.R.H. Prince Khaled Alsaud is the founding chairman of KBW and has holdings on five continents. He invests in diverse global businesses and early stage ventures – including those in advanced technology and clean energy – at the intersection of innovation and economic stability. A member of the Saudi Arabian royal family, Prince Khaled is a motivated spokesperson for the private sector in the Middle East.

H.R.H. Sheikh Sultan bin Ahmed Al Qasimi is the chairman of Basma and invests in a number of different sectors. He is the Deputy Ruler of Sharjah and holds a number of senior positions in both the public and private sector in the UAE. He is also the Chairman of Sharjah Media Council, the Deputy Chairman of the Sharjah Petroleum Council and the Chairman of Sharjah National Oil Company, and has been a member of the Sharjah Executive Council since 2006.

Funding Principles

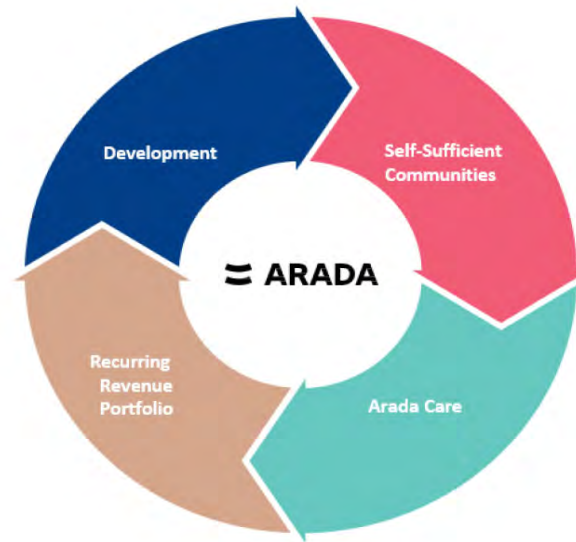
The Group generally employs a flexible funding strategy which depends on, among other things, the project being financed, the state of the financing markets, relevant macroeconomic conditions and the execution timing of other transactions being undertaken by it.

To date, the Group has principally funded its projects using equity, bank loans and the proceeds of off-plan sales of residential units.

Project-specific debt has to date been raised at the parent company level. The use of leverage in relation to a particular project is considered at various stages of the project process, on a case-by-case basis, based upon the cash flow profile of the project concerned, the availability of financing on attractive terms, the projected returns of the project and other factors which the Group may consider appropriate.

Integrated Business Model

The Group has an integrated business model which is summarised in the chart below:



Development

The Group has a strong track record of executing build to sell projects and master communities. It has a low-risk development model based on achieving substantial pre-selling before committing capital and deferring its land acquisition costs where possible. The Group also has a strong focus on customer satisfaction and retention, resulting in 35 per cent. of its residential units delivered in the three years to 31 December 2021 being purchased by customers who had already purchased at least one residential unit from the Group.

Self-sufficient communities

The Group aims to deliver communities with additional amenities such as retail, fitness, education and hospitality. It believes that this increases the overall appeal of the communities and supports faster occupancy as well as providing recurring cash flows from leasing or managing these amenities.

Arada Khadamat

The Group's subsidiary, Arada Khadamat, is dedicated to serving its customers' needs which encompasses customer relationship management, facilities management, tenancy services and jointly-owned property management. The Group also offers high quality property maintenance and management services which it believes will result in satisfied customers and enhance its ability to secure repeat purchases.

Recurring revenue portfolio

The Group currently generates: (i) leasing revenue from retail units retained by it and from Madar at Aljada and (ii) schools revenue as its principal sources of recurring revenue. The Group is expanding into multiple verticals with a focus on enhancing its customers' experience at the Group's communities and developing verticals into standalone businesses. These verticals currently include retail brands, education and hotels, and entertainment, while prime commercial space is also expected to be significant contributor to recurring revenue in future periods.

Business

Introduction

Since Arada was established in 2017, the Group has progressed from being a community developer (Nasma Residences) to becoming a destination developer (Aljada and Masaar). The Group's master-planned destinations are distinguished by their design, high quality build and finishes and wide range of amenities, combining residential and commercial property, shopping malls and other retail assets and high-end hospitality and leisure attractions within secure, well-maintained communities. In addition, the Group

ensures, through its collaboration with local regulators, utility companies and government agencies, that the infrastructure necessary to support its communities, such as roads, power, water and sewage, landscaping and open recreational spaces, is in place.

The Group oversees all aspects of the development of its master-planned destinations, from initial concept development and design, through construction, to sales and marketing. Partnering with major construction firms, it maintains strict oversight and seeks to ensure that its projects are completed within budget and to the highest standards. All of its three developments contain residential units, such as apartments, townhouses and villas, that are built for sale, retail space which is built for leasing to occupiers and recreational amenities such as parks and other outdoor space. Some of the Group's developments may also contain commercial units, such as offices, educational and medical facilities, and hotels and leisure and entertainment facilities, all of which are intended to be retained by the Group and leased to, or operated by, third parties.

The Group's portfolio comprises three master-planned communities which are in different stages of development, each of which is described under "– Projects" below. In addition, in January 2022, Arada announced the acquisition of a beachfront land plot on the Palm Jumeirah development in Dubai. Design work for a mixed-use project containing residential, leisure and food and beverage components has begun with full details expected to be announced at the sales launch, currently scheduled to take place in the third quarter of 2022.

Projects

The map below shows the location of each of the Group's three projects in Sharjah.



As at 31 December 2021, the Group's three projects were valued at AED 3,990 million. The table below shows the valuation of each project.

As at 31 December 2021		
	Valuation (AED million)	Share of total valuation (per cent.)
Nasma Residences	123	3.1
Aljada	2,802	70.2
Masaar	1,065	26.7
	3,990	100.0

Nasma Residences

Nasma Residences was launched in March 2017 and its first phase sold out in less than a month, making it the fastest selling project in Sharjah. The project size is 278,000 square metres and the project comprises

the construction of 1,117 townhouses and villas in six phases, five of which have been completed and all of which are fully sold.

Nasma Residences also includes:

- Nasma Central, a community casual dining and shopping hub with a nursery, Wellfit fitness centre, medical clinic and swimming pool;
- Nasma Central Park, which covers 53,000 square metres and includes cycling and jogging tracks, play areas and other sporting facilities; and
- a school and a mosque (which are neither owned nor operated by the Group), additional retail facilities and two smaller neighbourhood parks.

Located near the intersection of Emirates Road and Maliha Road, Nasma Residences has excellent connectivity with Sharjah city centre, Dubai and the rest of the Northern Emirates. Recent upgrades in road infrastructure close to the community have improved commute times to Dubai. Nasma Residences is close to Sharjah's largest mosque, with a capacity for 25,000 worshippers. It is also located a few minutes away from the new Sharjah Botanical Garden, Tilal City and the Sharjah Convention Centre.

Nasma Central is a community hub with retail facilities anchored by a large-scale Spinneys supermarket, complemented by casual dining outlets. Nasma Central also includes a pre-school and Wellfit fitness centre.

Construction on the first phase of Nasma Residences began in 2018 and construction on the sixth and final phase commenced in 2020. Nasma Central and Nasma Central Park both opened in 2021. In total, there are 18 retail units with 4,031 square metres of retail leasable area in Nasma Residences, of which 88 per cent. was leased as at 31 December 2021.

The table below shows certain information as at 31 December 2021 in relation to the residential units in Nasma Residences by phase of construction.

Phase	Residential units	Development value (AED million)	Launch period	Completion date ⁽¹⁾	% units sold	% completion ⁽²⁾
One	107	155.72	March 2017	August 2019	100	100
Two	184	269.82	April 2017	March 2020	100	100
Three	197	259.05	November 2017	August 2020	100	100
Four	302	377.88	June 2018	December 2020	100	100
Five	178	193.71	February 2019	October 2020	100	100
Six	149	210.06	February 2020	June 2022	100	53

Notes:

⁽¹⁾ Expected date for future periods.

⁽²⁾ Percentage of construction completed.

Aljada

Aljada was launched in September 2017. It comprises retail, leisure and entertainment options, in addition to a wide range of residential and commercial offerings, including a dedicated business park and a purpose-built student housing complex. The project size is 2.2 million square metres and the master plan envisages the construction of 30,000 apartments, townhouses and villas for approximately 70,000 residents in 14 blocks, making Aljada Sharjah's largest mixed-use development project. Aljada's master plan also includes:

- 119,700 square metres of commercial saleable/leasable area;
- 182,3000 square metres of saleable/leaseable area of retail provision, principally located along a 4.4 kilometre retail boulevard;
- Madar, a leisure and entertainment facility with 10 attractions, which is leased by the Group to the operator;
- three hotels, which are being developed in a partnership with Emaar Hospitality; and
- 250,000 square metres of green space.

Aljada is located on the last major plot of undeveloped land in the heart of the city, is situated between University City, Sheikh Mohammed bin Zayed Road and Sharjah International Airport, and has good connectivity with Dubai and the other Northern Emirates.

The Aljada project comprises a total of 153 residential buildings with 29,000 residential units in 14 separate blocks. The first residential block (Block L) of Aljada comprises seven Areej apartment buildings, three Rehan apartment buildings and four Misk apartment buildings, providing a total of 1,382 residential units, and one villa/townhouse community, Sarab Villas, comprising 101 residential units. This block was completed and fully handed over in the fourth quarter of 2021. The second residential block (Block J) comprises East Village and The Boulevard, a collection of high-end apartment buildings, providing a total of 2,585 residential units. The third residential block (Block M) comprises Nest (a student housing complex), providing a total of 2,478 residential units. The fourth residential block (Block K) comprises the Naseej district, a collection of 17 apartment buildings (including two Vida-branded serviced apartment buildings – the first branded service apartment buildings in Sharjah), providing a total of 2,000 residential units and Vida hotel. The fifth residential block (Block G) comprises a villa/townhouse community, Sarab, and high end apartment buildings, Gate, providing a total of 234 launched residences.

Construction on the first residential buildings in Block L of Aljada began in October 2018 and the most recent construction contract awarded was for eight apartment buildings containing 920 residential units in Block K on 1 February 2022 for a contract amount of AED 322 million. Aljada's first homes were completed and handed over in early 2021.

The first phase of Madar opened in February 2020 and Madar welcomed more than one million visitors in its first year. Work on the second phase of Madar is ongoing, with the third and final phase expected to begin in 2023.

The first phase of the SABIS International School was completed in August 2021 and the school opened for the start of the 2021/22 academic year. Construction of the second and final phase is ongoing.

As at 31 December 2021, the Group owned 10 thousand square metres of retail GLA in Aljada, of which 70 per cent. was leased. In 2021, Madar attracted 1.8 million visitors.

The table below shows certain information as at 31 December 2021 in relation to the residential units in Aljada by phase launched to date.

	Residential units	Development value ⁽¹⁾ (AED million)	First Launch period	Final Completion date ⁽²⁾	% units sold	% completion ⁽⁴⁾
Block L	1,483	1,130	Sept 2017	April 2022	98.4	100.0
Block J	2,585	1,164	April 2018	December 2022	93.8	20.8
Block M	2,478	830	Mar 2019	Sep 2022	91.3	30.0
Block G	234	304	Aug 2020	Oct 2023	59.7	3.3
Block K	1,688	1,408	Nov 2020	Jun 2024	72.9	0.0

Notes:

⁽¹⁾ Includes all residential units, both sold and unsold.

⁽²⁾ Expected date for future periods.

⁽³⁾ Percentage of construction completed.

Masaar

Masaar was launched in January 2021 and is characterised by wide green spaces that encourage active, healthy lifestyles as well as peaceful relaxation, all in a safe and secure family-friendly environment.

The project size is 1.8 million square metres and the project master plan envisages the construction of approximately 3,300 apartments, townhouses and villas in eight gated residential communities, each of which is connected to the community hub. Masaar's planned community amenities include over 50,000 trees in a central forested district containing the Masaar Experience Centre (the community hub), a Zad food truck district, a full-service Wellfit fitness centre, a skatepark, a children's adventure playground, an events space, Masaar Souq, a community centre with an anchor supermarket, shops, cafes, restaurants and services, a large international school (subject to demand) and nursery, a 6.6-kilometre looped and continuous woodland professional jogging track and a 5 kilometre leisure cycle and jogging track and a wide range of outdoor sports facilities, quiet zones and forested walks. Masaar also includes nine active

parks, incorporating facilities including swimming pools, tennis courts, squash courts, basketball courts and kids play areas, and a passive park including seated areas and open green spaces for yoga and meditation.

Masaar is located close to Nasma Residences in the Suyoh district, close to Tilal City and the Sharjah Mosque. The community has easy access to Emirates Road and Mleiha Road, and is a 15 minute drive from Sharjah International Airport and a 20 minute drive from Dubai International Airport.

Two communities have been launched to date in Masaar: Sendian and Kaya. Sendian comprises 431 townhouses and villas and Kaya comprises 421 townhouses and villas. All residences in Masaar incorporate smart home technology.

Construction on Sendian is due to begin in April 2022 and construction on Kaya is expected to commence in August 2022.

The table below shows certain information as at 31 December 2021 in relation to the residential units in Masaar for the two communities launched.

Community	Residential units	Development value ⁽¹⁾ (AED million)	Launch period	Completion date ⁽²⁾	% units sold	% completion ⁽⁴⁾
Sendian	431	895	Jan 2021	May 2023	96.5	0.0
Kaya	421	921	Oct 2021	Aug 2023	34.0	0.0

Notes:

⁽¹⁾ Includes all residential units, both sold and unsold.

⁽²⁾ Expected date for future periods.

⁽³⁾ Percentage of construction completed.

Project development process

Feasibility

Each master-planned community project commences with a preliminary feasibility report, which sets out the project development phases, provides a high-level analysis of the financial parameters of the project and an overview of potential legal and regulatory issues, and includes relevant market research studies. At this stage, various government and/or local parties are also approached with a basic framework of the proposed project. Where a partnering entity is identified, due diligence of its business is also undertaken. Once finalised, the preliminary due diligence report is submitted to senior management for review and approval. Once the project is approved by senior management, it is then presented to the Board of Directors (the "**Board**") for approval to undertake a detailed feasibility study.

Upon approval from the Board, a memorandum of understanding with an expression of interest is signed with the relevant counterparties confirming interest in the project and the Group's exclusive development rights. External consultants are then appointed to carry out the detailed feasibility study. Board approval is obtained to proceed with development based on the outcome of the detailed feasibility study including approval on, where applicable, the terms and conditions of any proposed joint venture agreement.

Master planning

Master planning starts after the granting or acquisition of land, whether directly, through a joint venture agreement or a development agreement. This stage of the process is designed to ensure that a project will reflect the Group's brand and quality standards, which are monitored on an ongoing basis by quality assurance and control teams, and that it will respond to the demands and preferences of the Group's customers, as informed by the insights of the sales and marketing team.

The master plan requires approval from the Department of Town Planning and Survey and the SRERD in the case of the Group's Sharjah developments. The Group organises the master planning of its projects through a team of experienced in-house professionals as well as external design consultants.

At the design phase, more detailed project and design feasibility studies are conducted for various development options and third party consultants are engaged to design the project. Consultation with all relevant parties, including supervisory bodies, designers, architects, road and traffic authorities and utility providers are carried out to establish the infrastructure requirements for the project. Based on this work, a detailed master plan for the development is prepared which also includes its sales and marketing strategy.

The master plan sets out, among other things, the type, density, built-up area and timeline for completion of the project.

Plot level design and tender process

Following approval of the master plan, a detailed schematic and tender process stage is commenced, when a bill of quantities (the "**BOQ**") is undertaken which defines the overall scope of work, lists the materials required and details the nature and scope of activities to be carried out to execute the project. It also includes details of the budget estimates for the proposed project. The BOQ is typically approved by the Group's design, commercial and development departments.

Tenders or invitations to submit proposals for each development phase are issued to potential contractors, who are chosen based on their track record, their ability to complete the project and their relevant experience. Submitted bids are evaluated, with particular attention paid to the skill set and expertise (for example, in design, cost consulting or construction) that the Group requires for the proposed project and the pricing proposal.

The Group engages contractors and, from time to time, sub-contractors, ensuring quality control and reducing operational risk. It adopts a proactive approach to its tender management process, utilising a pre-qualification process that comprises both technical and financial elements. The Group places limits on variation orders and changes from its original approved designs, and construction progress and quality is monitored by third-party supervision consultants.

Arada believes that the Group's design and tender processes provide it with a high degree of certainty with respect to development and BOQ costs. This, in turn, allows it to launch its developments for off-plan sales early in the process. Early launches create the opportunity for further market and customer feedback through which the project plans can be further refined. While certain aspects of the Group's projects are relatively fixed, such as gross floor area and elements that affect regulatory approvals, such as traffic impact assessments, the Group seeks to maintain flexibility to respond to customer demand for particular types of residential units, property features and amenities. The Group's sales and marketing teams provide continuous feedback on customer preferences that allow its design and construction teams to adjust and respond in order to enhance the product offering.

Leasing

Typically, the Group leases the retail elements within its developments and it expects to lease the commercial elements in Aljada once they have been constructed (although in some instances commercial space may be sold to third parties) and sells residential units completed by it. In relation to its leasing arrangements, the Group has adopted its own form of lease contract setting out details of rental periods, service charges, default provisions and other requirements. Where anchor tenants are identified (meaning those tenants identified as key businesses which lease large amounts of retail or commercial space), the lease agreements may be negotiated.

The Group has set criteria for its retail and commercial developments and before a lease agreement is executed, due diligence on the potential tenant is undertaken. Once an agreement is signed, each tenant receives a tenant guide related to the nature of their tenancy.

Marketing and sales

The marketing and sales plan for each project is developed at the master plan stage, and includes the launch plan and a marketing strategy informed by key insights from the sales and development teams. These insights incorporate a pricing proposal which covers the different types of residential units included in each development, their locations within the development and individual features, as well as an affordability analysis, which combines target market research, rental yields, mortgage rates and target margins, among other things. The Group's marketing plans include a mix of communication channels, with a strategic focus on digital and social media and other web-based platforms, in addition to ongoing branding and promotional events to foster sustained engagement with target customers.

The Group's marketing strategy is to strengthen awareness of the Arada brand through sustained brand visibility initiatives and a robust digital presence, educating new and existing customers about its projects, and driving customer engagement through dedicated destination campaigns highlighting key attributes of its projects. The Group's marketing strategy combines impact campaigns, including engaging launch events,

insight driven online and social media marketing and a best-in-class sales experience. In addition to the communication initiatives supporting the advertising, branding and promotional events for its projects, the Group also has dedicated display model villas and apartment interior mock-ups, which give potential customers the opportunity to experience elements of its projects first-hand, including details of the amenities that will be offered.

The Group engages external public relations agencies to support more extensive communications for specific project launches such as press releases in regional publications and through its websites. It undertakes an approach of "perfect launches", which refers to launches when all infrastructure requirements for the development are finalised or nearly finalised and where all the details of the master plan, including the services and amenities which will be available for the project, have been identified. On the launch date, prospective customers are served either on a first-come-first-served basis or based on pre-registration.

The bulk of the Group's sales were driven by third-party agencies in the three years ended 31 December 2021, although direct sales grew from 26.5 per cent. of total sales in 2019 to 44.8 per cent. of total sales in 2021. The Group aims to continue steadily increasing the contribution of the direct sales channel, which is more cost effective than, and reduces reliance on, the agency channel which is driven by commission structures. The Group is growing its direct sales database which it believes will also help it to cross-sell other services within the Group's portfolio.

As at 31 December 2021, the Group had relationships or partnerships with 2,911 third-party agencies. In 2021, 55.2 per cent. of the Group's sales were made through third-party agencies. The Group's relationship with these third-party agencies is non-exclusive and on a commission basis. In addition to sales agencies, the Group's properties are also directly sold through international property fairs, dedicated marketing roadshows to premium destinations, as well as through referrals and direct enquiries.

The Group begins selling its projects off-plan. Initial units may be sold at lower prices to create demand inflow, and sales prices increase periodically throughout the development process with higher specification or priced units being sold as the community nears completion.

Upon buying a residential unit, the customer contractually agrees to pay Arada the purchase price in instalments on a pre-agreed payment schedule. Main construction works are commenced once a sufficient portion of the residential units in a development is pre-sold (typically around 70 per cent.). At the time of sale, contracts detailing, among other things, payment schedules (including relevant construction milestones), apartment or villa plans and agreed designs are executed and a deposit of 5-10 per cent. of the total purchase price is collected. Thereafter, customers are required to make progressive payments on pre-determined dates or upon the completion of pre-determined stages of construction. This business model allows projects to remain cash positive throughout the entirety of the construction cycle. Payment plans and schedules vary by development and type of residential unit.

If a customer defaults on such progressive or final payments, as applicable, Arada's practice is to take legal action to enforce the payments due and to terminate the relevant sale and purchase agreement. Once the termination has been ordered by the court, Arada may de-register the property and resell it to a third party.

Construction of infrastructure

Infrastructure works are commenced before any buildings are constructed and run in parallel to main works construction for the duration of the development. Construction of infrastructure includes undertaking earth work, liaising with the relevant utility providers, building utility networks (such as district cooling stations, laying relevant pipelines for water and sewerage and establishing the electrical and telecommunications networks) and building roads. Typically, the infrastructure is developed in accordance with the development's requirements and accordingly, infrastructure plans can be amended based on actual sales patterns.

Construction of projects

Before tenders are awarded, a minimum threshold is normally set for pre-sales. This is typically between 60 and 70 per cent. of the residential units in a particular project, with approximately 25 per cent. of the associated sales value collected. As this covers the majority of construction costs, it ensures that the project is substantially self-funded through customer payments. However, if the pre-sales threshold is not met, the Group has discretion to proceed to award tenders without the relevant customer contributions. Once the pre-sales and leasing stage is concluded and tenders have been awarded, construction commences. Any

variance to the budget, timeline and scope of work is reported by the relevant project control group to management.

Tenders are awarded to main contractors, which, in turn, may also employ specialist sub-contractors after consulting with the Group. In addition to the oversight of overall construction, the main contractor is typically responsible for site works, concrete works, masonry and partitions, metal works, thermal and moisture protection, signage, parking accessories and building maintenance units. These works account for approximately 40 per cent. of the total costs of construction on a typical project. The specialist sub-contractors are typically responsible for major professional services items including MEP (mechanical, electrical and plumbing) works, wood works and joinery, facade works such as aluminium and glazing, fit out and FF&E (furnishings, furniture and equipment), and external works such as hard and soft landscaping.

These works account for approximately 50 per cent. of total construction costs on a typical project. The main contractor is also responsible for monitoring prime cost items, which include finishes (tiles, stone, thresholds, counter tops), doors and related ironmongery, sanitary ware, light fitting and facade fitting, home appliances, shower enclosures, and partitions and mirrors. These works account for approximately 10 per cent. of total construction costs on a typical project.

The Group focuses on efficiency and cost management at all stages of the procurement and construction processes. Costs are known at the outset of a project and allocated at the same rate per square foot across all units in a given project. Gross profit margins begin at approximately 25 per cent. and typically average 40 per cent. over the life cycle of a given master planned community. The Group has well developed systems in place to maintain its target gross profit margins and enhance its operational and financial performance through the management of construction costs and the performance of its contractors. It manages the performance of its contractors through a pre-qualification process that comprises both technical and financial elements. It places limits on variation orders and changes from its original approved designs, and construction progress and quality is monitored by third-party supervision consultants, including through structural design peer review.

Project contracts are primarily lump-sum and awarded at a fixed price, and a performance bond equal to 5 to 10 per cent. of the contract sum at the time the contract is awarded is generally required. Standard form contracts allow the Group to trigger early termination clauses in the case of non-performing contractors. The Group's structural designs are reviewed by third-party consultants to ensure design efficiency, and extensive value engineering is carried out on major project elements, such as MEP, façade and joinery, which are carried out as nominated provisional sum packages. This allows the Group to maintain control over the selection of sub-contractors to achieve its desired quality and cost. In addition, to benefit from economies of scale, term contract agreements are used for special materials like ceramic tiles and sanitary ware for the Group's pipeline of projects.

The Group relies on recognised regional and local contractors in the execution of its projects. The table below provides information in relation to the Group's six largest contractors as at 31 December 2021.

Contractor	Contract value awarded (AED million)	Units under construction	Units delivered	Total units
Intermass Engineering & Construction Co LLC..	1,100	2,835	1,166	4,004
Al Ashram Contracting LLC	402	1,553	—	1,553
Best Building Company LLC	211	1,032	—	1,032
Modern Building Contracting Company LLC	166	—	621	621
Klampfer Middle East LLC	118	—	208	208
Al Kharafi & Sons Company LLC	115	70	178	248

Other business verticals

The Group's other business verticals include education, brands, hospitality, retail, entertainment and other services, principally the Arada Foundation which consolidates and structures the Group's corporate social responsibility and philanthropic initiatives, and Arada Khadamat and Arada Association, which are each discussed below under "– Asset management".

Education

Launched in 2021, Arada opened its first school, the SABIS International School, in Aljada in partnership with SABIS, a global schools operator which owns the International School of Choueifat brand. The Group owns the school which is managed by SABIS and SABIS pays rent to the Group for the use of the premises.

The Group plans to open additional schools at both Aljada and Masaar. These schools are expected to be owned and leased by the Group to third party school operators.

Brands

The Group's brands include Zad, Manbat and Wellfit.

Zad, a new consumer brand, was launched by the Group in 2020. Zad is designed to activate public spaces, offering a flexible platform that has proven ability to attract significant footfall. The first Zad location at Madar in Aljada, which opened in the first quarter of 2020, is welcoming 120,000 visitors a month, drawn by its safe, family-focused and playful attractions and well-designed environment. Zad at Aljada contains 24 food outlets, split between a walkthrough food district and a drive-thru. The site also features a free-to-enter drive-in cinema and has direct access to a softscape children's adventure playground, a waterplay area and a skatepark. As part of Madar, Zad generates leasing revenue for the Group. The Group plans to open an additional Zad location at Masaar as well as other locations.

Manbat is an Emirati farmers market that was launched by the Group in partnership with the UAE Ministry of Climate Change and Environment in early 2021. Manbat markets currently operate in both Nasma Residences and Aljada and provides food producers in Sharjah and across the UAE with a platform to showcase their wares to a wide range of customers and retail buyers. During the winter season, Manbat markets also take place every weekend in Business Bay and The Palm Jumeirah in Dubai. The Group plans to operate additional Manbat markets, with one currently committed in Dubai. Manbat is a not-for-profit social project for the Group.

In 2021, the Group launched a major new fitness and wellness concept, Wellfit. Designed to motivate people to lead happier, healthier lives through a connected and tailored fitness experience, Wellfit was first launched in Circle Mall, Jumeirah in Dubai and is the largest fitness centre location of its type in the UAE. Another Wellfit fitness centre is located at Nasma Residences. The Group plans to open additional Wellfit fitness centres in new locations in Dubai, Sharjah and Abu Dhabi.

Hospitality

In 2018, the Group agreed with Emaar Hospitality Group that the Group will construct three hotels and associated managed apartment buildings in Aljada that will be owned by the Group and managed by Emaar Hospitality under its five star The Address and Address Residences, four star Vida and Vida Residences, and three star Rove brands.

Sharjah's first branded residences, the first three buildings of the Vida Residences Aljada, were launched in November 2020 and construction is expected to start in the third quarter of 2022.

The Group plans to open additional hotels with other hotel management companies at Aljada.

Retail

The Group's retail vertical currently encompasses one Group-owned brand, Hungry Wolves, and one franchised brand, Boost Juice. This vertical does not operate the retail space retained by the Group and instead focuses on concepts that will be operated both within and outside the Group's developments.

Launched in November 2021, Hungry Wolves is a healthy-eating food and beverage brand based inside Wellfit fitness centres. Hungry Wolves has been designed to understand the importance of the role that food plays in the fitness journey.

In 2022, the Group, in association with Australian retailer Boost Juice, intends to launch the Boost Juice business across the UAE through a Master Franchise Agreement which was executed in February 2022. This will constitute the Group's entry into the diversified retail business and the Group is planning to open more than 30 stores in the coming years. Boost Juice Bars is an Australian retail outlet that specialises in selling fruit juice and smoothies. Boost Juice Bars was formed in 2000 and now has expanded internationally with more than 500 franchised stores in Asia, Europe, South America and the United Kingdom.

Entertainment

The Group operates a free drive-in cinema at Madar in Aljada, along with weekly events conducted with artists in its Aljada and Nasma communities. Madar attracted 1.8 million visits in 2021 that contributed to an increase in sales of properties at Aljada. The Group intends to expand the leisure portfolio in Madar substantially with the construction of around 70,000 square metres of additional leasable leisure space that is expected to be developed in two phase by 2025.

Asset management

The Group's master-planned destinations are managed in-house by experts with diversified experience.

Launched in 2021, Arada Khadamat is dedicated to serving the needs of the Group's buyers. Arada Khadamat covers the entire customer experience from post-sales through handover and for the lifetime of the property. Arada Khadamat, which is led by a dedicated chief community officer with extensive experience, comprises:

- a motivated customer relationship management team with excellent communications skills;
- a professional and available facilities management team; and
- leasing services to enable owners to rent out their property faster and to assist with the management of tenant issues.

In addition, the Arada Association has been established to help oversee the different owners' associations of the various buildings within each Group community. Owners' associations conduct community management and promote and protect the wellbeing and the lifestyle of each building and the residents living within them. They also provide community continuity, preserve the architecture and common areas, and oversee several technical, security, financial, administrative and customer service functions.

Currently, Arada Association is assuming the administrative responsibilities of each owners' association, ensuring transparency and generating trust from stakeholders. Over time, the intention is that management of each owners' association will devolve to its community. Arada Association also plans to establish a community portal that will offer two-way communication between residents and management on a 24-hour basis.

Customers

The Group's customer base is diverse, although UAE nationals are by far the most significant customer category. In 2021, 41.8 per cent. of its customers were non-UAE residents, representing 49.8 per cent. of its sales during that year, compared with 20.1 per cent. of the Group's customers, representing 23.4 per cent. of its sales in 2020 and 33.4 per cent. of the Group's customers, representing 33.8 per cent. of its sales in 2019. The table below shows the nationality of the Group's customers as a percentage of its total sales in each of 2021, 2020 and 2019.

	Share of total sales by value		
	2021	2020 (per cent.)	2019
UAE.....	50.2	76.6	66.2
Other GCC	7.3	4.1	9.7
Other MENA.....	11.7	6.7	7.8
Europe	4.3	1.7	0.6
India and Pakistan	12.3	2.3	1.90
Others ⁽¹⁾	14.2	8.8	13.8
Total.....	100.0	100.0	100.0

Note:

⁽¹⁾ Others includes 51 nationalities in 2021, 37 nationalities in 2020 and 40 nationalities in 2019.

The Group also benefits from a stable repeat customer base and a growing number of new customers. The table below shows certain information related to the Group's new and repeat customers.

	Share of total sales		
	2021	2020	2019
Total sold units (no.).....	2,493	2,212	2,552
Units purchased by a new customers (no.).....	1,684	1,652	1,372
New customers (per cent.).....	67.5	74.7	53.8
Units purchased by repeat customers (no.).....	809	560	1,180
Repeat customers (per cent.).....	32.5	25.3	46.2

Between 2019 and 2021, the Group's repeat customers purchased 2,249 units, or 35.1 per cent., of the 7,257 total units sold during the three years.

Competition

Arada currently competes with other major property development companies offering properties that compete with those offered in the Group's projects, including Al Zahia, Alef group and others. Competition principally takes the form of competing for purchasers of residential property. In addition, Arada also competes to source appropriate land plots on which to construct its projects, for example its recent acquisition of a land plot on Palm Jumeirah was won in a competitive bid process against other leading developers in Dubai.

See further "Risk Factors – Risk factors relating to Arada's ability to fulfil its obligations under the Transaction Documents – The Group faces competition in property development".

Intellectual Property

Arada owns a number of trademarks which are important to its business, including Arada, Aljada, Masaar, Zad, Manbat and Wellfit. Each of these trademarks has been registered in the UAE.

Information Technology

Arada seeks to ensure that the Group's technology solutions constantly drive new ways of doing business, influencing the customer experience and improving both business innovation and efficiency. The Group ensures that its implemented systems and solutions meet the requirements of its business, are effectively maintained and are kept up to date.

In order to help capture a market-leading position, in 2020 the Group embarked on a three-year digital transformation programme called "EVOLVE" which is designed to address the following key digital transformation pillars:

- **NexGen infrastructure:** currently Arada has robust Microsoft cloud infrastructure which enables 24/7 availability, faster response times and future on-demand scalability for the Group. The Group also has a disaster recovery platform, including back-ups which are collected periodically. The Group's document management system is also designed to allow the recovery of data in a disaster scenario, as it can be remotely accessed through the internet.
- **Application modernisation:** Arada has built or implemented leading core enterprise business systems that helped to digitise its business processes and enable continuous improvements.
- **Digitally connected enterprise:** digitally connected enterprise enables the digital culture and promotes digital collaboration. Using these platforms, the Group ensures that systems such as enterprise content management and document management are always available for secured collaboration and sharing.
- **Digital connect to customers:** the Group is implementing key digital solutions that enable digital connection and collaboration with its customers in way that enhances the customer experience. The Group has already deployed systems and mobile applications for managing customer services, feedback, analyses and reports.
- **Data analytics and business insights:** the Group is implementing key technology platforms to enable systematic business data capture and acquisition for the purpose of data insights, analytics and discovery to facilitate informed decision-making.

The Group has finished more than 60 per cent. of its EVOLVE digital transformation programme and is on track to complete the rest by December 2022 as planned.

In terms of security, the Group has implemented cloud security controls as part of the Microsoft Azure hosting platform which covers its standard office, email and other productivity tools as well as the key technology systems. The Group has also implemented the leading on-premise end point security systems, network security firewalls and other security measures. The Group has not experienced any security breaches to date.

Insurance

Arada requires its contractors to provide insurance cover, including contractor all risks ("**CAR**"), workman's compensation, motor vehicles insurance, insurance for plant and contractor's equipment and, if applicable, marine insurance for goods transported to each project.

The CAR policy covers the contractor and relevant sub-contractors as well as the principal for the full value of the contract. CAR insurance covers loss or damage to the contract works and the liability of the contractor/principal to third parties. The policy commences from the inception date of the contract and is valid until completion of construction and handing over of the project to the Group. Once the project is handed over by the contractor, the CAR insurance expires. Thereafter, the retained elements of the project form part of the Group's assets and are insured under Arada's own property insurance.

Arada believes that the Group's insurance programme is comprehensive and robust. Arada endeavours to keep the insurance programme aligned and updated, on an ongoing basis, in accordance with the latest insurance solutions available in the global insurance market.

Arada also has in place business interruption and loss of profit insurance. In addition, Arada requires all of its consultants to carry professional indemnity insurance according to the best available market standards.

Arada's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations and Arada will only receive insurance proceeds in respect of a claim made by it to the extent that its insurers have the funds to make payment. See *"Risk Factors – Risk factors relating to the Group's business and Arada's ability to fulfil its obligations under the Transaction Documents – The Group may not have adequate insurance to cover potential losses"*.

Environment and ESG

Arada is committed to complying with or exceeding industry standards of all environmental rules and regulations that are applicable to the Group. Arada aims to develop its properties in a way that provides for the long-term sustainability of the environment.

Arada undertakes an environmental impact study for each project and each project has an environmental consultant who ensures that the relevant rules are complied with (for example, not using prohibited materials). The contractor who is in charge of construction at the project obtains all permits required from government authorities and manages the permit process. The Group's project sites are subject to periodic inspection by regulatory agencies who monitor ongoing compliance with applicable environmental regulations.

As at the date of this Offering Circular, no material environmental issues have occurred at any project site whether the site is being considered for development, has been developed or has been completed by the Group, and no material environmental claims have been made or asserted against the Group.

Arada believes that the Group's properties are in material compliance with all applicable environmental laws and regulations. Arada's environmental policy adheres to strict operating guidelines to limit the impact to the ecosystems in which the Group operates. Arada ensures that its employees, contractors, suppliers and communities are educated and made aware of the impact their activities could have on the surrounding environment and works towards strengthening awareness of a greener lifestyle through energy and water efficiency in line with the UAE's green vision.

The Group understands the importance of embedding environment, social and governance ("**ESG**") into its operations and is in the process of developing a detailed plan towards its commitment to achieve carbon neutrality during development of the Group's real estate projects in the next 10 years. The key steps in this plan are as follows:

- currently, the Group implements ESG by (i) reducing its environmental footprint by implementing sustainable solutions across all its communities, (ii) connecting with people through initiatives such as the Arada Foundation which was established in 2021 to consolidate and structure Arada's corporate social responsibility and philanthropic initiatives, and (iii) focusing on its governance;
- within 12 months, the Group plans to develop an ESG strategy, covering ESG considerations across its business, identifying material risks to be managed as well as the opportunities that will allow the Group to achieve carbon neutrality;
- within 24 months, the Group aims to develop a plan for obtaining green building certificates on all developments and intends to publish a sustainable finance framework which describes which capital and operational expenditures will be classified as sustainable;
- within 36 months, the Group intends to have published its first comprehensive sustainability report, which will be a minimum of global reporting initiative (GRI)-aligned and may extend to other reference standards, such as Task Force on Climate-Related Financial Disclosures (TCFD);
- within 60 months, the Group intends to have obtained one or more ESG ratings from leading parties, providing investors with an easily bench-markable score reflecting the ESG position of the Group following the steps described above; and
- in 10 years, the Group plans to achieve carbon neutrality in the development process.

Health and Safety

Arada is committed to providing a safe working environment and to securing improvements in occupational health and safety by protecting employees, visitors and all who work on its behalf from workplace injury and illness.

Arada appoints a supervision consultant to monitor the progress of construction and the implementation of local regulations, international health and safety guidelines such as ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007 and National Fire Protection Association standards in each of its projects. The supervision consultant hires a health and safety officer and works with the project manager. The supervision consultant also hires a health and safety manager for the project and works with others who are appointed specifically to monitor safety compliance at each relevant construction site. These teams jointly manage and ensure site safety requirements are met by contractors and subcontractors.

For each project, Arada also appoints a project manager to inspect both the physical conditions on the site, such as personal protective equipment, working at heights and in confined spaces, and procedural issues such as third party certification for lifting equipment, machinery, firefighting systems, first aid procedures, control measures, emergency and contingency plans and job specific training registers. The project manager can authorise the appointed health and safety officer to issue reports, stop work and impose fines should policies not be followed. The health and safety officer also tracks and reports monthly key performance indicators on the project, such as the number of man-hours worked, workers, lost days, lost time incidents, first aid and medical treatment cases and fire accidents. In some cases, where no health and safety officer is appointed by the lead contractor, Arada hires an external health and safety consultant to perform this task and report directly to the Arada project manager.

MANAGEMENT AND EMPLOYEES

Board of Directors

Arada's Board is elected by shareholders at a general meeting. The Board has the necessary power to manage Arada and act on its behalf.

Arada's shareholders are not involved in the day-to-day operations of the Group's business, only at the strategic level through their Board membership. Projects and strategic decisions are recommended by the management to the Board. Board meetings take place on a quarterly basis and the decisions taken at Board meetings are then executed by the senior management.

The following table sets out the names of the current members of Arada's Board:

Name	Designation
H.R.H. Sheikh Sultan bin Ahmed Al Qasimi	Board Chairman
H.R.H. Prince Khaled bin Alwaleed bin Talal Alsaud	Vice Chairman
Ahmed Alkhoshaibi	Board Member and Chief Executive Officer
Khalifa Al Shaibani	Board Member

The address of each member of the Board is Arada Headquarters, 19th Floor Festival Tower, Dubai Festival City, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Group.

Detailed below is brief biographical information on the members of the Board.

H.R.H. Sheikh Sultan bin Ahmed Al Qasimi

H.R.H. Sheikh Sultan bin Ahmed Al Qasimi is Deputy Ruler of Sharjah and holds a number of senior positions in both the public and private sector in the UAE.

He is the Chairman of Sharjah Media Council, the Deputy Chairman of the Sharjah Petroleum Council and the Chairman of Sharjah National Oil Company and has also been a member of the Sharjah Executive Council since 2006. Sheikh Sultan is also Chairman of Basma, a privately owned company that invests in diversified sectors.

Sheikh Sultan holds a Bachelor of Science degree in Business Administration from Arkansas State University, US, and a Master's degree in Computer Information Systems from the University of Detroit Mercy, in Michigan, US

H.R.H. Prince Khaled bin Alwaleed bin Talal Alsaud

As the founding chairman of KBW, H.R.H. Prince Khaled bin Alwaleed bin Talal Alsaud has holdings on five continents.

He invests in diverse global businesses and early stage ventures, including those in advanced technology and clean energy, at the intersection of innovation and economic stability.

A member of the Saudi Arabian royal family, Prince Khaled spent his youth in Riyadh under the mentorship of his father, philanthropist H.R.H. Prince Alwaleed bin Talal Al Saud, Chairman and Founder of Kingdom Holding.

Ahmed Alkhoshaibi

Ahmed Alkhoshaibi is the chief executive officer ("CEO") of Arada. He has leveraged his previous extensive experience in the real estate sector in Australia to help establish Arada as one of the UAE's most active developers.

He has held senior managerial positions across a number of industries including heavy machinery and construction.

He is also the Group CEO of KBW and is a noted entrepreneur.

He has a degree in Business Finance together with an Executive MBA.

Khalifa Al Shaibani

Khalifa Al Shaibani has served as Board Member at Arada since its foundation in 2017. He has long experience in the Sharjah real estate sector and also serves as Director General of Basma.

He has served as the Director General of Tilal Properties, the master developer overseeing the Tilal City megaproject in Sharjah, since its launch in 2014.

His other positions include Director General at Wekaya, a medical waste management company, and Director General of United Investment.

Senior Management

The following table sets out the names of the current senior management of Arada:

Name	Position
Ahmed Alkhoshaibi.....	Chief Executive Officer
Shimmy Mathew	Chief Financial Officer
Atul Goel.....	Finance Director
Ahmad Oneisse	President – Sales and Sales Operations
Elie Mrad.....	Head of Architecture and Design
Edward Attwood	Chief Communications Officer
Shrikant Kabboor	Chief Technology Officer
Eric Hanna.....	Chief Marketing Officer
Sameer Kulkarni.....	Chief Community Officer
Rosa Piro	Senior Business Development Director
Ray Tinston	Director, Events
Saneen Sainudeen.....	Senior Director Contracts & Commercial
Maher Metraji.....	Development Director
Mohamad Moussalli.....	Development Director
Graham Alderslade.....	Director of Landscaping
Mohit Menon.....	HR Director
Hisham Saeed Khattab	Director, Government Relations
Fayez Khouri.....	Legal Director

The address of each member of the senior management Arada Headquarters, 19th Floor Festival Tower, Dubai Festival City, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the senior management listed above and their duties to Arada.

Detailed below is brief biographical information on Arada's senior management.

Shimmy Mathew, Chief Financial Officer

Shimmy Mathew is a Chartered Accountant with more than two decades of practical and theoretical experience across numerous commercial segments, specialising in financing and relevant strategic measures associated with business acquisitions and its administration.

Appointed in 2013 as Chief Financial Officer of KBW Investments, Shimmy was additionally appointed Chief Financial Officer of Arada when it was founded. He oversees multiple aspects of both the Group and Arada, in addition to the finance segment, including human resources, legal, compliance and IT.

Shimmy's functional expertise in fields including auditing, strategy development and execution, finance and corporate structuring and implementation, is utilised across the Group in addition to the development and implementation of all of Arada's financial systems, policies, procedures, mandates and standards.

Shimmy has also been instrumental in securing the support of leading UAE banks for several large-scale financing packages that are supporting the construction of the Group's projects.

Prior to his current appointment, Shimmy served as the Finance Manager for Raimondi Cranes, a 150-year-old Italian manufacturer and a pillar of the KBW Investments portfolio. Having transitioned to Raimondi

Cranes in 2009, his previous professional record includes extensive experience in the strategic planning, finance and accounting functions of several heavy machinery entities across the GCC countries.

Shimmy is a qualified chartered accountant from India.

Atul Goel, Finance Director

Atul Goel is a Chartered Account and Certified Public Accountant with 23 years' experience in managing international finance teams within multi-billion-dollar organisations.

Prior to joining Arada in 2019, he served as Vice President – Finance at Al Hamra Group in Ras Al Khaimah. He also spent seven years working as Director – Finance at Dubai Silicon Oasis Authority and four years as Finance Director at Emaar Properties.

Atul also gained experience at Zurich International Life, Al Naboodah Engineering Services and Ernst & Young.

Atul is a qualified chartered accountant from India and a certified public accountant from Colorado, USA.

Ahmad Oneisse, President - Sales & Sales Operations

Ahmad Oneisse has 17 years' experience in sales and sales operations, and is regarded as one of the most experienced real estate executives in the UAE. Before joining Arada, he was employed by DAMAC Properties, where he became Senior Vice President – Sales. As a key member of DAMAC's senior management team, he played a major role in launching some 90 projects throughout the region and has been responsible for the development and execution of sales strategies, as well as building business models and assessing risks.

In his most recent roles, Ahmad has overseen overall sales operations and customer relations to ensure delivering and sustaining revenue and profit gains, quality, service and customer satisfaction, as well as a special emphasis on business development through joint ventures. He has worked with family-owned and publicly listed companies with diverse business cultures in both developed and emerging economies in the Middle East and has a demonstrated ability to cross industry boundaries to boost financial outcomes in real estate sectors.

Ahmed holds a degree in Arts in Elementary Education.

Elie Mrad, Head of Architecture & Design

Elie Mrad is a qualified architect with more than 20 years' experience working in diverse markets, including Australia, the UAE and South Sudan.

He is responsible for the Group's overall design philosophy and for developing new typologies that adhere to that philosophy. Elie focuses on an iterative and information-based design process to introduce new ideas, and is also responsible for ensuring the feasibility of designs, from concept to completion.

As Head of Architecture and Design, Elie has been instrumental in the creation of the masterplan and unit designs for all three of the Group's projects and worked closely with Zaha Hadid Architects on the delivery of Madar at Aljada, a new leisure and entertainment destination for the UAE.

He previously served as Head of Architecture at Arcadia Middle East, and as Senior Architect at Dewan Architects & Engineers. Elie's other roles have included Managing Director of Venture International and Senior Architect at Kann Finch.

The projects he has worked on include Reem Mall in Abu Dhabi, Dubai Festival City and the Crowne Plaza Hotel on Yas Island.

Elie holds a BSc in Architectural Engineering from Beirut Arab University and an MSc in Architecture and Urban Design from the University of Sydney.

Edward Attwood, Chief Communications Officer

Edward Attwood heads the Group's public relations and corporate communications functions and has been with Arada since it was founded. He also serves as Director of Communications at KBW Investments.

A former journalist and editor, he joined Arada from ITP, the Middle East's largest publishing house, where he ran the Executive division. In that role, he oversaw leading consumer publication Arabian Business, as well as having responsibility for the editorial output for three other magazines and ITP Executive's sizeable annual roster of events and awards ceremonies. Before joining the Executive division of ITP, he edited and worked on a number of trade titles, including Construction Week and Aviation Business.

Prior to moving to the UAE in 2008, Edward worked as an editor on the Middle East desk for political and economic forecasting company Global Insight, which is now part of IHS Markit. He also served as a legal caseworker at a local authority in the UK.

He holds an honours degree in English Literature from the University of Newcastle.

Shrikant Kabboor, Chief Technology Officer

Shrikant Kabboor has more than 23 years' experience of developing successful digital technology strategies, processes, policies and procedures, and has demonstrated ability to translate emerging technologies into business solutions to create value.

At Arada, Shrikant is responsible for delivering the developer's ambitious digital transformation journey – EVOLVE – which involves multiple large-scale projects being initiated to transform the Group into a digital technology driven customer-centric organisation.

Shrikant has served in executive leadership roles in a number of property development firms such as Emaar, Majid Al Futtaim and Union Properties. Prior to coming to the UAE, he worked at a number of large-scale technology-driven companies including Idea Cellular (AT&T/Vodafone), Oracle and Agilent Technologies.

Shrikant holds a BSc from Karnataka University and a post-graduate MBA specialising in finance from VAMNICOM, Pune. His other certifications include CISA, CGEIT, PMP, Six Sigma and Beyond Smart Cities Technologies from MIT.

Eric Hanna, Chief Marketing Officer

Eric Hanna has over 30 years' management and sales and marketing experience across the Middle East and Africa. His areas of specialisation include brand management, digital marketing, media planning, sales marketing, business and strategy planning, management operations, budget forecasting and organisational restructuring.

Eric's previous roles include a six-year term as CEO Middle East and Africa at Grey Group (part of WPP) and as CEO Middle East and Africa at Mediacom (also part of WPP). He also served as Director of Marketing at Shamal (part of Meraas Group).

Eric holds a Bachelor's degree in Economics from the American University of Beirut.

Sameer Kulkarni, Chief Community Officer

Sameer Kulkarni has managed mixed-use master developments in the UAE, Canada and Saudi Arabia.

He previously worked at Amaala/The Red Sea Development Company in Riyadh, where he served as an Executive Director. In the UAE, he has managed large diverse portfolios mainly during his 17-year tenure with Emaar Properties, where he was involved in property handover, maintenance, service fee budgets, communications and homeowner relations for developments that included Downtown Dubai, Arabian Ranches, Emirates Living and The Greens.

Sameer holds an MBA in Hospitality from the Sydney Graduate School of Management, Australia and a Digital Marketing diploma from Cornell University, USA.

Rosa Piro, Senior Business Development Director

Rosa Piro's portfolio of responsibilities includes the expansion of the Group's interests through new projects, as well as evaluating investments in new business segments.

She also oversees and maintains commercial and institutional partnerships in hospitality, healthcare, education and entertainment, adjusting the anchor strategy for each based on the needs of the Group's communities.

Rosa is also responsible for creating and implementing the retail leasing strategy across the Group's assets, as well as their management and operations.

Rosa previously served as Country Head for emerging markets research and consultancy firm Oxford Business Group, working in the UAE, the Philippines and Indonesia. In that role, she oversaw the company's first-ever production of The Report: Sharjah annual investment guide.

Rosa holds a bachelor's degree in International Economics from Bocconi University in Milan and a master's in International Management from Instituto de Empresa in Madrid.

Ray Tinston, Director of Events

Ray Tinston has over 19 years' experience launching and managing some of the world's largest events in the United Kingdom, Europe, the United States and the UAE.

He is responsible for destination tourism and for developing and delivering activations and experiences that are both meaningful and reflective of Arada's brand and its communities. Ray has a strong commercial focus on constant innovation to keep ahead of market trends, as well as both exhibitor/tenant and visitor expectations. He also has an entrepreneurial, flexible approach to identifying, creating and delivering new revenue streams, and has stakeholder relationships across multiple verticals.

Ray holds a master's degree in Tourism, Hospitality & Event Management (magna cum laude) and a bachelor's degree in Exhibition Management (with distinction). He is also a guest lecturer for a variety masters and bachelors courses in related fields.

Saneen Sainudeen, Senior Director Contracts & Commercial

Saneen Sainudeen has over 22 years' experience in the fields of procurement and contracts for major projects in the UAE. Saneen's responsibilities include all procurement, commercial and contracts-related activities for a multiple portfolio of projects within the Group's master developments, in addition to other verticals within the Group, such as Facilities Management, Events, Marketing, IT and Human Resources.

Saneen's experience includes pre- and post-contract administration and claims management for complex and large fast-track projects in the UAE, including villa master developments, high-rise buildings, retail, for and beverage, hospitality, ports, palaces and industrial zones. Before joining Arada, Saneen was involved in notable projects including the Museum of the Future, Citywalk, Boxpark, Nikki Beach Hotel & Resort, Dubai Harbour, Dubai Water Canal, Emirates Hills, Jumeirah Village and Khalifa Port & Industrial Zone.

Saneen holds a bachelor's degree in Civil Engineering.

Maher Metraji, Development Director

Maher Metraji is the Development Director in charge of overseeing the development of Aljada.

Maher has more than 21 years' experience working in a series of developments and projects across the UAE. He previously served as Senior Manager at Emaar Development and Projects Manager at Mazaya Real Estate. Maher's other roles have also included Construction Manager at Turner Construction International and Al Hamed Development, as well as Project Engineer at Al Hamad Contracting.

Key projects he has worked on include Emaar South, Liwan Development, The Dubai Mall Fashion Avenue Expansion, Al Saadiyat Beach Villas, Eastern Mangrove Development, Al Raha Beach Development, The Address Dubai Mall, The Dubai Mall, Jumeirah Lake Terrace Tower, The Burj Residence by Emaar, the Dubai TV studios and Dubai Marina Towers by Emaar.

Maher holds a Bachelor's degree in Civil Engineering from Tishreen University, Syria.

Mohamad Moussalli, Development Director

Mohamad Moussalli is a qualified Engineer with 18 years' contracting experience in the UAE and Lebanon. He joined Arada from Damac Properties, where he was Senior Manager – Projects, and most recently had oversight of the Damac Hills villa programme. He has also served as Project Manager at Abu Dhabi-based Civil Power General Contracting, and as Construction Manager at Al Ghafly General Contracting. Among the projects he has worked on are New York University Abu Dhabi, and Frond L of the Palm Jumeirah, for Nakheel.

Mohamad holds a Bachelor's degree in Civil Engineering from Lebanese University.

Graham Alderslade, Director of Landscaping

Graham Alderslade has almost 30 years' of landscaping experience, primarily in the Middle East region. He is responsible for all aspects of horticulture, landscaping and maintenance, including oversight of the Group's nursery, which has capacity for 200,000 trees.

Prior to joining the Group in 2019, Graham Alderslade served as Senior General Manager for SIA Landscaping, where he conducted landscaping for a number of key projects in the UAE, including Sobha Hartland and Mohammed bin Rashid City District 1. He also served as horticulturalist at Al Barari Development for six years, and at Zaid Al Hussain in Saudi Arabia.

Mohamad holds a National Diploma Horticulture in Applied Horticulture/Horticulture Operations.

Mohit Menon, HR Director

Mohit Menon has 22 years' experience in human resources, 13 of which have been spent in a leadership capacity. In his current role, he is responsible for creating and executing a progressive human capital approach focused on employee engagement, performance management and talent development and helping to make Arada a fully people-centric organisation with robust HR metrics.

Mohit's previous experience spans an array of industry verticals from real estate to investment banking and his HR domain expertise encompasses performance management, employee engagement, total rewards, talent management, HR management information systems, budget and cost management, restructuring, localisation and hiring.

Mohit has a bachelor's degree in Commerce from Madras Christian College and an MBA from the International Management Institute.

Hisham Saeed Khattab, Director, Government Relations

Hisham Saeed Khattab has over 20 years' experience in a range of roles related to the real estate industry with a range of companies in the UAE.

At Arada, he is responsible for leading a team that develops and maintains strong strategic relationships with a number of key government entities. Hisham is also responsible for working with different departments within Arada to ensure that all opportunities for collaboration with these government organisations are explored and concluded.

Hisham has previously worked in senior positions within the Zabeel Group of Companies, Deyaar and Mohamed Al Suwaidi Investment.

He holds a bachelor of science degree in Marketing from the American International University and a degree in public administration from the University of Sharjah.

Fayez Khouri, Legal Director

Fayez Khouri joined Arada as Head of Legal in 2021.

Prior to joining Arada, Fayez was the General Counsel at PwC Middle East, leading a team of 15 lawyers across the region. His specialisation for the first 10 years of his career was real estate law. He has worked

mainly in the UAE, Lebanon and the United Kingdom, where he earned his law degree, but also spent time in China, Kuwait, Qatar, the United States and Vietnam.

In addition to law, Fayez studied international relations at the London School of Economics and Georgetown University in Washington D.C.

Committees

Arada has four committees, each formed in January 2022:

Audit committee

The Audit committee assists with monitoring and overseeing Arada's financial reporting processes, accounting processes and compliance and also approves its consolidated financial statements. The Audit committee also reviews compliance and assists with risk oversight. It has four members, Ahmed Alkhoshaibi (Chair), Shimmy Mathew, Fayez Khouri and Edward Attwood, appointed by the Board.

Investment committee

The Investment committee comprises members of senior management who are responsible for assessing large-scale investment decisions including but not limited to acquisitions, land purchases and potential partnerships. It has four members, Khalifa Shaibani, Ahmed Alkhoshaibi (Chair), Shimmy Mathew and Rosa Piro, appointed by the Board.

Remuneration committee

The remuneration committee oversees all areas of employee recognition and rewards, ensuring that the Group retains and motivates its employees to ensure that it achieves its strategic goals. The committee has four members, Khalifa Shaibani, Ahmed Alkhoshaibi (Chair), Shimmy Mathew and Mohit Menon, appointed by the Board.

Risk committee

The Risk committee assesses all areas of corporate risk, including debt financing, construction, mortgaging and sales, within the context of the prevailing market environment and economic conditions. The committee has access to external sources of assistance, including accountancy, legal and/or research entities. The committee has four members, Ahmed Alkhoshaibi (Chair), Shimmy Mathew, Fayez Khouri and Maher Metraji, appointed by the Board.

Employees

As at 31 December 2021, the Group had 442 employees compared to 326 employees as at 31 December 2020 and 306 employees as at 31 December 2019.

Arada is planning to launch a recruitment programme in 2022 that is designed to improve its emiritisation levels, which are currently low.

GLOBAL TRUST CERTIFICATE

The Global Trust Certificate contains certain provisions which apply to the Trust Certificates whilst they are represented by the Global Trust Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

The Trust Certificates will be in registered form. Trust Certificates will be issued and sold outside the United States in reliance on the exemption from registration provided by Regulation S.

The Trust Certificates will initially be represented by beneficial interests in a global trust certificate in registered form (a "**Global Trust Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Trust Certificates, beneficial interests in the Global Trust Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and the Global Trust Certificate will bear a legend regarding such restrictions on transfer.

The Global Trust Certificate will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depositary. Persons holding beneficial interests in the Global Trust Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Trust Certificates in fully registered form.

Payments of any amount in respect of the Global Trust Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register as the registered holder of the Global Trust Certificate. None of the Trustee, the Delegate or any Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Trust Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of any amounts in respect of the Trust Certificates will, in the absence of any provision to the contrary, be made to the persons shown on the Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in the Global Trust Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Trust Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (a) the Delegate has given notice in accordance with Condition 15 (*Dissolution Events*) that a Dissolution Event has occurred and is continuing; or (b) the Trustee, Arada and the Delegate have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Trust Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate, Arada and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to any payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Trust Certificate shall be treated by the Trustee, the Delegate, Arada and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the Global Trust Certificate and the expressions "**Certificateholder**" and "**holder**" in relation to any Trust Certificates and related expressions shall be construed accordingly.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where additional Trust Certificates are issued in accordance with Condition 21 (*Further Issues*) which are intended to form a single series with the Trust Certificates at a point after the Issue Date, such additional Trust Certificates shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to the Trust Certificates until such time as the tranches are consolidated and form a single series.

Transfers of book-entry interests in the Trust Certificates will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

The following is the text of the Terms and Conditions of the Trust Certificates, which (save for the text in italics) will be endorsed on each Trust Certificate in definitive registered form (if issued) and will apply to the Global Trust Certificate (as defined below) in respect of the Trust Certificates.

Each of the U.S.\$350,000,000 trust certificates due 2027 (the "**Trust Certificates**") is issued by Arada Sukuk Limited (in its capacities as issuer and trustee for and on behalf of the Certificateholders (as defined below), the "**Trustee**") and represents an undivided ownership interest in the Trust Assets (as defined below) held on trust (the "**Trust**") for the holders of such Trust Certificates pursuant to a declaration of trust (the "**Declaration of Trust**") dated 8 June 2022 (the "**Issue Date**") made between the Trustee, Arada Developments LLC (the "**Obligor**" or "**Arada**") and The Law Debenture Trust Corporation p.l.c. (as donee of certain powers and as the Trustee's delegate, the "**Delegate**").

Payments relating to the Trust Certificates will be made pursuant to an agency agreement dated the Issue Date (the "**Agency Agreement**") made between the Trustee, Arada, the Delegate and Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Trust Certificates, the "**Paying Agents**") and as transfer agent (in such capacity, a "**Transfer Agent**", and together with any further or other transfer agents appointed from time to time in respect of the Trust Certificates, the "**Transfer Agents**") and Citibank Europe plc as registrar (the "**Registrar**"). The Paying Agents, the Registrar and the Transfer Agents are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors.

The holders of the Trust Certificates (the "**Certificateholders**") are bound by, and are deemed to have notice of, all of the provisions applicable to them in the documents set out below, copies of which are available for inspection and/or collection by Certificateholders during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the specified office for the time being of the Principal Paying Agent:

- (a) a purchase agreement between the Trustee, Aljada Developments LLC, Masaar Developments LLC and Arada dated 8 June 2022 (the "**Purchase Agreement**") including any supplemental purchase agreement (the "**Supplemental Purchase Agreement**") executed in certain circumstances described in the Purchase Agreement;
- (b) a lease agreement between the Trustee, Arada and the Delegate dated 8 June 2022 (the "**Lease Agreement**");
- (c) a servicing agency agreement between the Trustee and Arada dated 8 June 2022 (the "**Servicing Agency Agreement**");
- (d) a sale and substitution undertaking executed by the Trustee as a deed dated 8 June 2022 (the "**Sale and Substitution Undertaking**") including any sale agreement (the "**Sale Agreement**") executed in certain circumstances described in the Sale and Substitution Undertaking;
- (e) a purchase undertaking executed by Arada as a deed dated 8 June 2022 (the "**Purchase Undertaking**") including any sale agreement (the "**Sale Agreement**") executed in certain circumstances described in the Purchase Undertaking;
- (f) a murabaha agreement between the Trustee, Arada and the Delegate dated 8 June 2022 (the "**Murabaha Agreement**") (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement);
- (g) the Declaration of Trust including any supplemental declaration of trust (the "**Supplemental Declaration of Trust**") executed in certain circumstances described in the Declaration of Trust; and
- (h) the Agency Agreement,

(together, the "**Transaction Documents**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Trustee to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions, and to apply the sums paid by it in respect of its Trust Certificates in accordance with the terms of the Transaction Documents.

1. **Interpretation**

1.1 **Definitions**

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In addition, in these Conditions the following expressions have the following meanings:

"Arada Event" has the meaning given to it in Condition 15 (*Dissolution Events*);

"Average Life" means, as of the date of determination with respect to any Financial Indebtedness or Refinancing Financial Indebtedness, the quotient obtained by dividing:

- (a) the sum of the products of: (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Financial Indebtedness or Refinancing Financial Indebtedness; and (ii) the amount of each such principal payment; by
- (b) the sum of all such principal payments;

"Cancellation Date" means the date on which Trust Certificates are to be cancelled as specified in the Cancellation Notice;

"Cancellation Notice" means a notice substantially in the form set out in Schedule 2 to the Sale and Substitution Undertaking;

"Capital Stock" means, with respect to any person, any and all shares, interests, participations or other equivalents (howsoever designated, whether voting or non-voting) or such person's equity, including any preferred stock of such person, whether outstanding on the Issue Date or issued after the date thereof including, without limitation, all series or classes of such Capital Stock;

a **"Change of Control"** shall occur if at any time any person other than H.R.H. Prince Khalid Bin Alwaleed Bin Talal Alsaud or H.R.H. Sheikh Sultan bin Ahmed Al Qasimi or their respective lineal descendants acquires, directly or indirectly, more than 50 per cent. of the issued share capital of Arada;

"Change of Control Exercise Notice" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"Change of Control Dissolution Amount" means, in relation to the Trust Certificates to be redeemed on the Change of Control Put Right Date, the sum of:

- (a) the outstanding face amount of such Trust Certificates; and
- (b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"Change of Control Notice" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"Change of Control Put Period" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"Change of Control Put Right" has the meaning given to it in Condition 11.5 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

"Change of Control Put Right Date" shall be the tenth Payment Business Day after the expiry of the Change of Control Put Period;

"Clean Up Call Right Dissolution Amount" means, in relation to the Trust Certificates to be redeemed on the Clean Up Call Right Dissolution Date, the sum of:

- (a) the outstanding face amount of such Trust Certificates; and
- (b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"Clean Up Call Right Dissolution Date" has the meaning given to it in Condition 11.6 (*Dissolution at the Option of Arada (Clean Up Call Right)*);

"Clearstream, Luxembourg" means Clearstream Banking S.A.;

"Consolidated Cash and Cash Equivalents" means, in respect of the Group, at any time the aggregate of the following:

- (a) cash in hand or on deposit with any acceptable bank or any bank which is licensed by the central bank of its jurisdiction of incorporation;
- (b) certificates of deposit, maturing within one year after the relevant date of calculation, issued by an acceptable bank;
- (c) any investment in marketable obligations issued or guaranteed by: (i) the government of the United States of America or the United Kingdom or by an instrumentality or agency of the government of the United States of America or the United Kingdom having an equivalent credit rating; or (ii) the government of any country in which Arada has operations, provided in the case of (ii) such obligations have a maturity of less than one year;
- (d) open market commercial paper:
 - (i) for which a recognised trading market exists;
 - (ii) issued in the United States of America or the United Kingdom;
 - (iii) which matures within one year after the relevant date of calculation; and
 - (iv) which has a credit rating of either A-1 by Standard & Poor's or Fitch or P-1 by Moody's or if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term debt obligations, an equivalent rating; and
- (e) Sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an acceptable bank in each case, to which any member of the Group is beneficially entitled at that time and which is capable of being applied against Consolidated Total Indebtedness. An acceptable bank for this purpose is a commercial bank or trust company which has a rating of BBB– or higher by Standard & Poor's or Fitch or Baa3 or higher by Moody's or a comparable rating from a nationally recognised credit rating agency for its long-term obligations;

"Consolidated EBITDA" means, in respect of any Measurement Period, the consolidated net pre-taxation profits of the Group for such Measurement Period as adjusted by:

- (a) adding back Consolidated Net Finance Charges Payable;
- (b) taking no account of any exceptional or extraordinary item;
- (c) adding back any amount attributable to minority interests;
- (d) adding back depreciation and amortisation; and
- (e) taking no account of any revaluation of an asset or any loss or gain over book value arising on the disposal of an asset (otherwise than the ordinary course of trading) by a member of the Group during the Measurement Period,

and:

- (i) including the net pre-taxation profits of a member of the Group or business or assets acquired during that Measurement Period for the part of that Measurement Period when it was not a member of the Group and/or the business or assets were not owned by a member of the Group; but
- (ii) excluding the net pre-taxation profits attributable to any member of the Group or to any business or assets sold during that Measurement Period;

"Consolidated Finance Charges Payable" means, in respect of any Measurement Period, all Finance Charges (but excluding Finance Charges on trade payables) incurred by the Group during such Measurement Period;

"Consolidated Finance Charges Receivable" means, in respect of any Measurement Period, all financing charges received or receivable by the Group during such Measurement Period;

"Consolidated Net Finance Charges Payable" means, in respect of any Measurement Period, Consolidated Finance Charges Payable less Consolidated Finance Charges Receivable during such Measurement Period;

"Consolidated Total Indebtedness" means, in respect of the Group or any Subsidiary, as the case may be, at any time the aggregate of the following:

- (a) the outstanding principal amount of any moneys borrowed but excluding all trade payables (as defined in the most recently available audited or auditor reviewed consolidated financial statements of Arada or the relevant Subsidiary, as the case may be);
- (b) the outstanding principal amount of any bond, sukuk, note, debenture, loan stock or other similar instrument;
- (c) the capitalised element of indebtedness under a finance or capital lease;
- (d) the outstanding principal amount of all moneys owing in connection with the sale or discounting of receivables (otherwise than on a non-recourse basis);
- (e) the outstanding principal amount of any indebtedness arising from any deferred payment agreements arranged primarily as a method of raising finance or financing the acquisition of an asset;
- (f) any fixed or minimum premium payable on the payment or redemption of any instrument referred to in paragraph (b) above;
- (g) the outstanding principal amount of any indebtedness arising in connection with any other transaction (including any forward sale or purchase agreement and whether in connection with any Islamic financing arrangements or otherwise) which has the commercial effect of a borrowing; and
- (h) the outstanding principal amount of any indebtedness of any person of a type referred to in paragraphs (a) to (g) above which is the subject of a guarantee, indemnity or similar assurance against financial loss given by a member of the Group or the relevant Subsidiary, as the case may be;

provided that Consolidated Total Indebtedness shall not include any indebtedness in respect of letters of credit or performance guarantees issued in the ordinary course of business to the extent such letters of credit or performance guarantees are not drawn upon or, if drawn upon, are honoured in accordance with their terms;

"Consolidated Total Net Indebtedness" means at any time Consolidated Total Indebtedness less Consolidated Cash and Cash Equivalents;

"Day Count Fraction" has the meaning given to it in Condition 8.2 (*Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date*);

"Dispute" has the meaning given in Condition 23.2 (*Arbitration*);

"Dissolution Amount" means, as appropriate, the Final Dissolution Amount, the Tax Dissolution Amount, the Total Loss Dissolution Amount, the Tangibility Event Dissolution Amount, the Change of Control Dissolution Amount, the Clean Up Call Right Dissolution Amount or the Dissolution Event Amount;

"Dissolution Date" means, as the case may be: (a) the Scheduled Dissolution Date; (b) the Tax Dissolution Date; (c) the Total Loss Dissolution Date; (d) the Tangibility Event Put Right Date; (e) the Change of Control Put Right Date; (f) the Clean Up Call Right Dissolution Date; or (g) the Dissolution Event Redemption Date;

"Dissolution Event" has the meaning given to it in Condition 15 (*Dissolution Events*);

"Dissolution Event Amount" means, in relation to the Trust Certificates to be redeemed on the Dissolution Event Redemption Date, the sum of:

- (a) the outstanding face amount of such Trust Certificates; and
- (b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"Dissolution Event Redemption Date" has the meaning given to it in Condition 15 (*Dissolution Events*);

"Dissolution Notice" has the meaning given to it in Condition 15 (*Dissolution Events*);

"Euroclear" means Euroclear Bank SA/NV;

"Exercise Notice" means a notice substantially in the form set out in Schedule 1 to the Sale and Substitution Undertaking or the Purchase Undertaking, as applicable;

"Extraordinary Resolution" has the meaning given to it in Schedule 4 to the Declaration of Trust;

"Final Dissolution Amount" means, in relation to the Trust Certificates to be redeemed on the Scheduled Dissolution Date, the sum of:

- (a) the outstanding face amount of such Trust Certificates; and
- (b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"Finance Charges" means, for any Measurement Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in respect of Financial Indebtedness (whether, in each case, paid or payable by any member of the Group (calculated on a consolidated basis)) in respect of that Measurement Period;

"Financial Indebtedness" means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution excluding any performance or bid bonds;
- (i) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into the agreement is to raise finance;
- (j) any obligations incurred in respect of any Islamic financing arrangements; and
- (k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above;

"Fitch" means Fitch Ratings Limited;

"Group" means Arada and its Subsidiaries taken as a whole;

"IFRS" means International Financial Reporting Standards;

"Incur" and **"Incurrence"** have the meanings given to them in Condition 5.2 (*Financial Covenants*);

"Indebtedness" means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) or any *Shari'a* compliant alternative of the foregoing other than any such obligations, guarantees or indemnities owing or given by one member of the Group to another member of the Group;

"Insurances" means the insurances in respect of the Lease Assets, as provided for in the Servicing Agency Agreement;

"Investment Grade Rating" means a rating equal to or higher than: (a) Baa3 (or the equivalent) by Moody's; (b) BBB- (or the equivalent) by Standard & Poor's; or (c) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any other Rating Agency (as applicable);

"Investment Grade Status" means that Arada has an Investment Grade Rating from at least one Rating Agency;

"Joint Venture Company" means an entity which is at any particular time, jointly controlled (whether directly or indirectly) by Arada and any other person or persons. For the purposes of this definition, an entity shall be considered as being **"jointly controlled"** by Arada and such other person or persons if it is accounted for as a jointly controlled entity in the most recently available audited or auditor reviewed consolidated financial statements of Arada and, for the avoidance of doubt, as at the Issue Date, Nextgen Robopark Investment LLC shall be a Joint Venture Company falling within the scope of this definition;

"LCIA" means the London Court of International Arbitration;

"Lease" has the meaning given to it in the Lease Agreement;

"Lease Assets" has the meaning given to it in the Lease Agreement;

"Lessee" means Arada in its capacity as lessee under the Lease Agreement;

"Lessor" means the Trustee in its capacity as lessor under the Lease Agreement;

"Liability" means, in respect of any person, any actual losses, actual damages, fees, actual costs (excluding any cost of funding and opportunity cost), charges, awards, claims, demands, expenses, judgments, actions, proceedings (or threats of any actions or proceedings) or other liabilities

whatsoever including legal fees, travelling expenses and any Taxes and similar charges incurred by that person and references to "**Liabilities**" shall mean all of these;

"**Material Subsidiary**" means, at any relevant time, a Subsidiary of Arada:

- (a) whose Consolidated EBITDA (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of Arada and its Subsidiaries relate, are equal to) not less than 10 per cent. of the Consolidated EBITDA of Arada, or, as the case may be, consolidated total assets, of Arada and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated financial statements of Arada and its Subsidiaries taken as a whole, provided that in the case of a Subsidiary of Arada acquired after the end of the financial period to which the then latest audited consolidated financial statements of Arada and its Subsidiaries relate, the reference to the then latest audited consolidated financial statements of Arada and its Subsidiaries for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by Arada;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of Arada which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (b) on the date on which the consolidated financial statements of Arada and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated financial statements of Arada and its Subsidiaries relate, generate Consolidated EBITDA equal to) not less than 10 per cent. of the Consolidated EBITDA of Arada, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of Arada and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate Consolidated EBITDA equal to) not less than 10 per cent. of the Consolidated EBITDA of Arada, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of Arada and its Subsidiaries taken as a whole, all as calculated as referred to in paragraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this paragraph (c) on the date on which the consolidated financial statements of Arada and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated financial statements have been prepared and audited as aforesaid by virtue of the provisions of paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

Any report signed by an authorised signatory of Arada whether or not addressed to the Trustee or the Delegate that in their opinion a Subsidiary of Arada is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the

Trustee and the Delegate without further enquiry or evidence and with no liability to any person therefor and, if relied upon by the Trustee or the Delegate, shall, in the absence of manifest error, be conclusive and binding on all parties;

"Measurement Period" means a period of 12 months ending on the last date of each period in respect of which audited or auditor reviewed consolidated financial statements of Arada are made available;

"Moody's" means Moody's Investors Service, Inc.;

"nominee" has the meaning given to it in Condition 2.1 (*Form and Denomination*);

"Partial Loss Dissolution Event" means the termination of the Lease on the 61st day after the Partial Loss Event Date as a result of either: (a) the delivery by Arada of a Partial Loss Termination Notice to the Trustee within 30 days after the Partial Loss Event Date in accordance with the terms of the Lease Agreement; or (b) the failure by Arada to replace the Lease Assets within 60 days after the Partial Loss Event Date in accordance with the terms of the Servicing Agency Agreement;

"Partial Loss Event" means the partial impairment of one or more Lease Assets in a manner that substantially deprives the Lessee from the benefits expected from the whole of the Lease Assets, as determined by the Lessee and the occurrence of which: (a) has been certified in writing by a recognised independent industry expert; (b) has not arisen as a result of the Lessee's negligence or misconduct; and (c) does not constitute a Total Loss Event;

"Partial Loss Event Date" has the meaning given to it in the Lease Agreement;

"Partial Loss Termination Notice" has the meaning given to it in the Lease Agreement;

"Payment Business Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in London and New York City settle payments and are open for general business and, in the case of presentation of a Trust Certificate, in the place in which the Trust Certificate is presented;

"Periodic Distribution Amount" means, in relation to a Trust Certificate and a Return Accumulation Period, the amount of profit payable in respect of that Trust Certificate for that Return Accumulation Period as calculated in accordance with Condition 8 (*Fixed Periodic Distribution Provisions*);

"Periodic Distribution Date" means 8 June and 8 December in each year, commencing on 8 December 2022;

"Permitted Financial Indebtedness" means any one or more of the following:

- (a) any Financial Indebtedness of Arada or any Subsidiary of Arada outstanding on the Issue Date;
- (b) any Financial Indebtedness owed by Arada or any Subsidiary of Arada to Arada or any other Subsidiary of Arada; provided, however, that any subsequent disposition, pledge or transfer of such Financial Indebtedness (other than to Arada or a Subsidiary of Arada) shall be deemed, in each case, to constitute the Incurrence of such Financial Indebtedness by the obligor thereof;
- (c) any Financial Indebtedness of Arada or any Subsidiary of Arada Incurred and outstanding on or prior to the date on which such Subsidiary became a Subsidiary of Arada (other than Financial Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which the Subsidiary became a Subsidiary of Arada);
- (d) any amounts owed by Arada or any Subsidiary of Arada to suppliers, contractors, subcontractors and/or project consultants in respect of goods supplied and/or services provided, in each case in the ordinary course of business;

- (e) any Project Finance Indebtedness of Arada or a Subsidiary of Arada or any Securitisation Indebtedness;
- (f) any Financial Indebtedness for or in respect of any derivative transaction entered into solely to protect Arada or any Subsidiary from fluctuations in profit/interest rates or financing costs or currencies (and is not for speculation);
- (g) Financial Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided that such Financial Indebtedness is extinguished within 30 business days of its Incurrence;
- (h) any Financial Indebtedness arising in the form of deferred payment obligations of Arada or a Subsidiary of Arada in respect of the acquisition of any business, assets or Capital Stock, in each case in the ordinary course of business; and
- (i) any Refinancing Financial Indebtedness Incurred by Arada or a Subsidiary of Arada in respect of Financial Indebtedness Incurred by Arada or a Subsidiary of Arada: (i) at any time when Arada had Investment Grade Status; or (ii) pursuant to paragraph (a), (b), (c), (d), (e), (f), (g) or (h) above;

"Permitted Reorganisation" means:

- (a) (i) any disposal by any Subsidiary of Arada of all or substantially all of its business, undertaking or assets to: (1) any of its own wholly-owned Subsidiaries; (2) Arada; or (3) any wholly-owned Subsidiary of Arada; or (ii) any disposal by Arada of all or substantially all of its business, undertaking or assets to any of its wholly-owned Subsidiaries provided that, in the case of (ii) only, at the same time or prior to any such disposal, all amounts payable by Arada under each Transaction Document to which it is a party have been assumed by such Subsidiary on terms previously approved by an Extraordinary Resolution;
- (b) any amalgamation, consolidation or merger of a Subsidiary of Arada with Arada or with any other Subsidiary of Arada; or
- (c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by the Delegate or by an Extraordinary Resolution;

"Permitted Security" means:

- (a) any Security existing on the Issue Date;
- (b) any Security created or outstanding with the approval of the Certificateholders by an Extraordinary Resolution;
- (c) any Security on assets or property existing at the time Arada or any Subsidiary acquired such assets or property provided that such Security was not created in contemplation of such acquisition;
- (d) any Security securing Indebtedness of any person and/or its Subsidiaries existing at the time that such person is merged into or consolidated with Arada or a Subsidiary provided that such Security was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of Arada or any Subsidiary;
- (e) any Security arising by operation of law and in the ordinary course of trading and not as result of any default or omission by Arada or any Subsidiary;
- (f) any Security not otherwise permitted under any other paragraph of this definition created by, or outstanding in respect of, Arada and/or any Subsidiary, provided that the aggregate of all outstanding amounts secured by such Security (when aggregated with the aggregate of all outstanding amounts (if any) secured by other Security created by, or outstanding in respect of, Arada and/or any Subsidiary (but ignoring for these purposes any outstanding amounts secured by any Security under paragraphs (a) to (d) above (inclusive) and paragraph (f) below)) does not exceed 15 per cent. of the consolidated total assets of Arada

by reference to the then latest audited or auditor reviewed consolidated financial statements of Arada; or

- (g) any renewal of or substitution for any Security permitted by any of the preceding paragraphs (a) through (f), provided that with respect to any such Security incurred pursuant to this paragraph (g), the principal amount secured has not increased and the Security has not been extended to any additional property (other than the proceeds of such property);

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Project Finance Indebtedness" means any Financial Indebtedness issued, borrowed or raised by Arada or any of its Subsidiaries to finance or refinance the ownership, acquisition, construction, development and/or operation of an asset or project where there is no recourse whatsoever for repayment thereof other than:

- (a) recourse solely to the property, income, assets or revenues from such asset or project (including insurance proceeds); and/or
- (b) recourse, for the purpose only of enabling amounts to be claimed in respect of such Financial Indebtedness, over such asset or project or the income, cash flow or other proceeds deriving therefrom, provided that the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement;

"Rating Agencies" means: (a) Standard & Poor's; (b) Moody's; (c) Fitch; and (d) if any one or more of Standard & Poor's, Moody's or Fitch do not make a rating of Arada publicly available, one or more internationally recognised securities rating agencies selected by Arada;

"Record Date" means: (a) in respect of a Global Trust Certificate, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant Periodic Distribution Date or the relevant Dissolution Date, as the case may be; and (b) in respect of Trust Certificates in definitive form, the date falling on the seventh day before the relevant Periodic Distribution Date or the Dissolution Date, as the case may be;

"Refinancing" means, in respect of any Financial Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Financial Indebtedness in exchange or replacement for, such Financial Indebtedness, and **"Refinanced"** and similar terms are to be construed accordingly;

"Refinancing Financial Indebtedness" means Financial Indebtedness that Refinances any Financial Indebtedness of Arada or any Subsidiary of Arada, including Financial Indebtedness that Refinances Refinancing Financial Indebtedness; provided, however, that:

- (a) such Refinancing Financial Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Financial Indebtedness being Refinanced;
- (b) such Refinancing Financial Indebtedness has an Average Life at the time such Refinancing Financial Indebtedness is Incurred that is equal to or greater than the Average Life of the Financial Indebtedness being Refinanced;
- (c) such Refinancing Financial Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium) under the Financial Indebtedness being Refinanced; and
- (d) if the Financial Indebtedness being Refinanced is subordinated in right of payment to Arada's payment obligations under the Transaction Documents, such Refinancing Financial Indebtedness is subordinated in right of payment to Arada's payment obligations

under the Transaction Documents at least to the same extent as the Financial Indebtedness being Refinanced;

"Register" has the meaning given in Condition 2.2 (*Register*);

"Relevant Date" means, in relation to any payment, the date on which the payment in question first becomes due or, if the full amount payable has not been received by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received or (if earlier) the date seven days after that on which notice is duly given to Certificateholders in accordance with Condition 18 (*Notices*) that, upon further presentation or surrender, as applicable, of the Trust Certificate being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation or surrender, as applicable;

"Relevant Indebtedness" means any present or future indebtedness, other than any Project Finance Indebtedness or Securitisation Indebtedness, which is in the form of, or which is represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"Relevant Jurisdiction" means the Cayman Islands, the Emirate of Sharjah or the United Arab Emirates or, in either case, any political subdivision or authority thereof or therein having the power to tax;

"Relevant Period" has the meaning given to it in Condition 8.2 (*Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date*);

"Relevant Sukuk Obligation" means any Sukuk Obligation, other than any Project Finance Indebtedness or Securitisation Indebtedness, in respect of which the relevant trust certificates or other securities are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

"Reserved Matter" has the meaning given in Condition 18 (*Meetings of Certificateholders; Modification*);

"Return Accumulation Commencement Date" means the Issue Date;

"Return Accumulation Period" means the period from (and including) a Periodic Distribution Date (or the Return Accumulation Commencement Date) to (but excluding) the next (or first) Periodic Distribution Date;

"Rules" has the meaning given in Condition 23.2 (*Arbitration*);

"Scheduled Dissolution Date" means 8 June 2027;

"Securitisation Indebtedness" means any Financial Indebtedness issued, borrowed or raised by Arada or any of its Subsidiaries in connection with any securitisation (Islamic or otherwise) of existing or future assets and/or revenues, provided that:

- (a) any Security given by Arada or any Subsidiary in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation;
- (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and
- (c) there is no other recourse to Arada or any Subsidiary in respect of any default by any person under the securitisation;

"Security" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Service Charge Amounts" has the meaning given to it in the Servicing Agency Agreement;

"Servicing Agent" means Arada in its capacity as servicing agent under the Servicing Agency Agreement;

"Specified Denominations" has the meaning given to it in Condition 2.1 (*Form and Denomination*);

"Standard & Poor's" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc;

"Stated Maturity" means, with respect to any Financial Indebtedness or Refinancing Financial Indebtedness, the date specified in the relevant documentation as the fixed date on which the final payment of principal in respect thereof is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the purchase of such Financial Indebtedness at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred);

"Subsidiary" means in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (b) more than half of the Capital Stock of which is beneficially owned, directly or indirectly by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

"Sukuk Obligation" means any undertaking or other obligation to pay any money given in connection with any issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari'a*, whether or not in return for consideration of any kind;

"Tangibility Event Dissolution Amount" means, in relation to the Trust Certificates to be redeemed on the Tangibility Event Put Right Date, the sum of:

- (a) the outstanding face amount of such Trust Certificates; and
- (b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"Tax" means any present or future taxes, levies, imposts, duties (including stamp duties), fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction;

"Tax Dissolution Amount" means, in relation to the Trust Certificates to be redeemed on the Tax Dissolution Date, the sum of:

- (a) the outstanding face amount of such Trust Certificates; and
- (b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates;

"Tax Dissolution Date" has the meaning given to it in Condition 11.2 (*Early Dissolution for Tax Reasons*);

"Tax Event" has the meaning given to it in Condition 11.2 (*Early Dissolution for Tax Reasons*);

"Total Equity" means the share capital of the Group for the time being issued and paid up or credited as paid up; and the aggregate of the amounts standing to the credit of the consolidated capital and revenue reserves (including share premium account, statutory reserves and profit and loss account but excluding hedging reserves) of the Group;

"Total Loss Dissolution Amount" means, in relation to the Trust Certificates to be redeemed on the Total Loss Dissolution Date, the sum of:

- (a) the outstanding face amount of such Trust Certificates;
- (b) any due and unpaid Periodic Distribution Amounts relating to such Trust Certificates; and
- (c) any other amounts payable following a Total Loss Event pursuant to the Servicing Agency Agreement;

"**Total Loss Dissolution Date**" has the meaning given to it in Condition 11.3 (*Dissolution following a Total Loss Event*);

"**Total Loss Event**" has the meaning given to it in Condition 11.3 (*Dissolution following a Total Loss Event*);

"**Transaction Account**" means the non-interest bearing account number 0014458702 in the Trustee's name maintained with the Principal Paying Agent and held in the United Kingdom;

"**Trust Assets**" means the assets, rights and/or cash described in Condition 6.1 (*Trust Assets*); and

"**U.S.\$**" and "**U.S. dollars**" each means the lawful currency for the time being of the United States of America.

1.2 **Interpretation**

In these Conditions:

- (a) any reference to face amount shall be deemed to include any Dissolution Amount and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Conditions 11 (*Capital Distributions of Trust*) and 13 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) references to Trust Certificates being "outstanding" shall be construed in accordance with the Declaration of Trust; and
- (d) any reference to a Transaction Document shall be construed as a reference to that Transaction Document as amended and/or supplemented up to and including the Issue Date.

2. **Form, Denomination and Title**

2.1 **Form and Denomination**

The Trust Certificates are issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each a "**Specified Denomination**") and, in the case of Trust Certificates in definitive form, are serially numbered.

Upon issue, the Trust Certificates will be represented by the Global Trust Certificate which will be registered in the name of nominees for Euroclear and Clearstream, Luxembourg.

For so long as any of the Trust Certificates are represented by the Global Trust Certificate held on behalf of Euroclear and Clearstream, Luxembourg, each Person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear and Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any Person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, Arada, the Delegate and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder (the "**nominee**") of the Global Trust Certificate shall be treated by the Trustee, Arada, the Delegate and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust

Certificate, and the expressions "**Certificateholder**" and "**holder**" in relation to any Trust Certificates and related expressions shall be construed accordingly. Each Certificateholder must look solely to Euroclear and Clearstream, Luxembourg for its share of each payment made to the nominee.

Trust Certificates which are represented by the Global Trust Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

These Conditions are modified by certain provisions contained in the Global Trust Certificate. Except in certain limited circumstances, owners of interests in the Global Trust Certificate will not be entitled to receive definitive Trust Certificates representing their holdings of Trust Certificates. See "Global Trust Certificate".

2.2 **Register**

The Registrar will maintain a register (the "**Register**") of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement. In the case of Trust Certificates in definitive form, a definitive Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates.

2.3 **Title**

The Trustee, Arada, the Delegate and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the Person in whose name any outstanding Trust Certificate is for the time being registered (as set out in the Register) as the holder of such Trust Certificate or of a particular face amount of the Trust Certificates for all purposes (whether or not such Trust Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, Arada, the Delegate and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Trust Certificate or face amount.

3. **Transfers of Trust Certificates**

3.1 **Transfers of Beneficial Interests in the Global Trust Certificate**

Transfers of beneficial interests in the Global Trust Certificate will be effected by Euroclear and Clearstream, Luxembourg, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Trust Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Trust Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear and Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Declaration of Trust and the Agency Agreement.

3.2 **Transfers of Trust Certificates in Definitive Form**

(a) *Transfer*

Subject to this Condition 3.2 and Conditions 3.3 (*Closed Periods*) and 3.4 (*Formalities Free of Charge*), a definitive Trust Certificate may be transferred in whole or in an amount equal to the Specified Denomination or any integral multiple thereof by depositing the definitive Trust Certificate, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar.

(b) *Delivery of new definitive Trust Certificates*

Each new definitive Trust Certificate to be issued upon transfer of definitive Trust Certificates will, within five business days of receipt by the Registrar of the duly

completed form of transfer endorsed on the relevant definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder entitled to the definitive Trust Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar is located.

Where some but not all of the Trust Certificates in respect of which a definitive Trust Certificate is issued are to be transferred, a new definitive Trust Certificate in respect of the Trust Certificates not so transferred will, within five business days of receipt by the Registrar of the original definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder of the Trust Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

(c) **Regulations**

All transfers of definitive Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one. Notwithstanding the above, the Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of definitive Trust Certificates.

3.3 **Closed Periods**

No Certificateholder may require the transfer of a definitive Trust Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Trust Certificate falls due.

3.4 **Formalities Free of Charge**

Transfers of Trust Certificates on registration or exercise of an early dissolution right will be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Trustee, the Registrar and/or the Transfer Agents may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

3.5 **Regulations**

All transfers of definitive Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one. Notwithstanding the above, the Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of definitive Trust Certificates.

4. **Status and Limited Recourse**

4.1 **Status**

Each Trust Certificate evidences an undivided ownership interest in the Trust Assets subject to the terms of the Declaration of Trust and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Trust Certificate ranks *pari passu*, without any preference or priority, with the other Trust Certificates.

The payment obligations of Arada (in any capacity) to the Trustee under the Transaction Documents to which it is a party are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (Negative Pledge)) unsecured obligations of Arada and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (Negative Pledge)) at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of Arada from time to time outstanding.

4.2 ***Limited Recourse***

The proceeds of the Trust Assets are the sole source of payments on the Trust Certificates. Save as provided in the next sentence, the Trust Certificates do not represent an interest in or obligation of any of the Trustee, Arada, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Trust Certificates, acknowledge that:

- (a) they will not have recourse to any assets of the Trustee, the Delegate, the Agents, or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished; and
- (b) any recourse to the assets of Arada shall be limited to the Trust Assets, which include obligations of Arada under the Transaction Documents.

Arada is obliged to make certain payments under the Transaction Documents directly to the Trustee (for and on behalf of the Certificateholders), and the Delegate will have recourse against Arada to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Trust Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Trust Certificates, subject to Condition 16 (*Enforcement and Exercise of Rights*), no holder of Trust Certificates will have any claim against the Trustee, Arada (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Trust Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding-up or receivership of the Trustee, Arada (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

4.3 ***Agreement of Certificateholders***

By subscribing for or acquiring the Trust Certificates, each Certificateholder acknowledges and agrees that notwithstanding anything to the contrary contained herein or in any other Transaction Document:

- (a) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the Trust Assets;
- (b) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, shareholders or administrators), Arada (and/or its officers) (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, Arada, the Delegate, any Agents and their respective agents or affiliates shall be extinguished;
- (c) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;
- (d) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any officer, agent, shareholder or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or

otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the officers, agents, shareholders or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

- (e) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Trust Certificate. No collateral is or will be given for the payment obligations by the Trustee under the Trust Certificates.

5. **Obligor Covenants**

5.1 **Negative Pledge**

So long as any Trust Certificate remains outstanding, Arada covenants and undertakes with the Trustee that it shall not, and it shall procure that no Material Subsidiary (other than a Material Subsidiary that is a Joint Venture Company) will, create or permit to subsist any Security, other than Permitted Security, upon the whole or any part of its present or future assets or revenues (including uncalled capital) to secure any of its Relevant Indebtedness or Relevant Sukuk Obligation or any guarantee or indemnity of its Relevant Indebtedness or Relevant Sukuk Obligation without at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is a party or providing such other Security for those obligations as may be approved by the holders of the Trust Certificates by an Extraordinary Resolution.

5.2 **Financial Covenants**

So long as any Trust Certificate remains outstanding, Arada covenants and undertakes with the Trustee that it shall not, and it shall not permit any of its Subsidiaries to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "**Incur**" or, as appropriate, an "**Incurrence**") any Financial Indebtedness (other than Permitted Financial Indebtedness); provided that Arada and its Subsidiaries will be permitted to Incur additional Financial Indebtedness if:

- (a) the ratio of Consolidated Total Net Indebtedness (excluding, for this purpose, any indebtedness arising from any financing provided by the Government of Sharjah) at the end of the immediately preceding Measurement Period to Total Equity at the end of such Measurement Period does not exceed a ratio of 1.5:1;
- (b) the ratio of Consolidated EBITDA for the immediately preceding Measurement Period to Consolidated Net Finance Charges Payable for such Measurement Period is not less than a ratio of 1.5:1; and
- (c) the ratio of Consolidated Total Net Indebtedness (excluding, for this purpose, any indebtedness arising from any financing provided by the Government of Sharjah) at the end of the immediately preceding Measurement Period to Consolidated EBITDA for such Measurement Period does not exceed a ratio of 3.0:1.

The provisions of this Condition 5.2 shall not apply for so long as Arada has Investment Grade Status. However, the provisions of this Condition 5.2 shall immediately apply if and for so long as Arada ceases to have Investment Grade Status. For the purposes of this Condition 5.2, "**Permitted Financial Indebtedness**" shall be construed to refer to the date on which the provisions of this Condition 5.2 re-apply in accordance with this Condition 5.2 rather than the Issue Date.

For the purposes of this Condition 5:

- (i) an accounting term used in this provision is to be construed in accordance with the principles applied in connection with the most recently available audited or auditor reviewed consolidated financial statements of Arada;

- (ii) compliance with this provision shall be assessed by reference to the most recently available audited or auditor reviewed consolidated financial statements of Arada;
- (iii) any amount in a currency other than U.S.\$ is to be taken into account at its U.S.\$ equivalent calculated on the basis of: (1) the Principal Paying Agent's spot rate of exchange for the purchase of the relevant currency in the London foreign exchange market with U.S.\$ at or about 11:00 a.m. (London time) on the day the relevant amount falls to be calculated; or (2) if the amount is to be calculated on the last day of a financial period of Arada, the then relevant spot rates of exchange used by Arada in, or in connection with, its financial statements for that period; and
- (iv) no item must be credited or deducted more than once in any calculation under this provision.

6. **The Trust**

6.1 ***Trust Assets***

The "**Trust Assets**" will comprise:

- (a) the cash proceeds of the Trust Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Lease Assets;
- (c) the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by Arada to the Trustee and the Delegate pursuant to the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 14.1 of the Declaration of Trust);
- (d) all monies standing to the credit of the Transaction Account from time to time; and
- (e) all proceeds of the foregoing.

6.2 ***Application of Proceeds from the Trust Assets***

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets on trust absolutely for and on behalf of the Certificateholders. On each Periodic Distribution Date, or on any Dissolution Date, the Principal Paying Agent, notwithstanding any instructions to the contrary from the Trustee, will apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, (to the extent not previously paid) to each of the Delegate, each Agent and/or any Appointee (as defined in the Declaration of Trust) in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate, Agent (in accordance with the Agency Agreement) or Appointee, as applicable;
- (b) *secondly*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (c) *thirdly*, only if such payment is made on any Dissolution Date, to the Principal Paying Agent in or towards payment *pari passu* and rateably of the Dissolution Amount;
- (d) *fourthly*, only if such payment is made on any Dissolution Date on which all outstanding Trust Certificates are redeemed in full, to the Servicing Agent in or towards payment of all outstanding Service Charge Amounts (if any); and
- (e) *fifthly*, only if such payment is made on any Dissolution Date on which all outstanding Trust Certificates are redeemed in full, to Arada in or towards payment of the residual amount (if any).

7. **Trustee Covenants**

The Trustee covenants that, for so long as any Trust Certificate is outstanding, it will not (without the prior written consent of the Delegate):

- (a) incur any indebtedness, in respect of borrowed money whatsoever (including any Islamic financing), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;
- (b) save as permitted by the Transaction Documents, grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets, except pursuant to the Transaction Documents;
- (d) use the proceeds of the issue of the Trust Certificates for any purpose other than as stated in the Transaction Documents;
- (e) except as provided in Condition 19 (*Meetings of Certificateholders; Modification*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association and by-laws;
- (f) act as trustee in respect of any trust (other than pursuant to the Declaration of Trust);
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders (excluding any consideration payable by the Trustee (acting in any capacity) to Arada (acting in any capacity) as contemplated by the Transaction Documents or these Conditions);
- (i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up, liquidation or dissolution or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) any such contract, transaction, amendment, obligation or liability in relation to its operations that is of a routine or administrative nature;
 - (ii) as provided for or permitted in the Transaction Documents;
 - (iii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (iv) such other matters which are incidental thereto.

8. **Periodic Distribution Provisions**

8.1 ***Periodic Distribution Amount***

The Trustee shall distribute to Certificateholders, out of amounts transferred to the Transaction Account in accordance with the Transaction Documents, Periodic Distribution Amounts, *pro rata* to their respective holdings on each Periodic Distribution Date in arrear in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date, in accordance with these Conditions.

Profit to be paid in respect of the Trust Certificates shall accrue at 8.125 per cent. per annum and, subject to these Conditions, profit distributions to be paid on each Periodic Distribution Date shall be U.S.\$40.625 per U.S.\$1,000 in face amount of the Trust Certificates.

8.2 ***Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date***

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period (the "**Relevant Period**"), it shall be calculated as an amount equal to the product of:

- (a) 8.125 per cent. per annum;
- (b) the face amount of the Trust Certificate; and
- (c) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards. For these purposes, "**Day Count Fraction**" means, the actual number of days in the period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Return Accumulation Period in which the Relevant Period falls (including the first day but excluding the last)).

8.3 ***Cessation of Profit Entitlement***

No further amounts will be payable on any Trust Certificate from and including: (a) the Dissolution Date (excluding a Total Loss Dissolution Date), unless default is made in the payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition 8 to the earlier of: (i) the Relevant Date; or (ii) the date on which a sale agreement is executed pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be; and (b) the date on which a Total Loss Event occurs (unless the Lease Assets have been replaced pursuant to the Servicing Agency Agreement).

9. **Payment**

Payment of Dissolution Amounts and Periodic Distribution Amounts will be made by transfer to the registered account (as defined below) of a Certificateholder. Payments of Dissolution Amounts (where all of the Trust Certificates are to be redeemed in full) will only be made against surrender of the relevant Trust Certificate (or the certificate representing such Trust Certificate) at the specified office of the Registrar or the Principal Paying Agent. Dissolution Amounts and Periodic Distribution Amounts will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9, a Certificateholder's "**registered account**" means the U.S.\$ account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S.\$, details of which appear on the Register at the close of business on the relevant Record Date.

All such payments will be made subject to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions described in Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Certificateholders in respect of such payments.

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the Payment Business Day preceding the due date for payment or, in the case of a payment of face amounts (where all of the Trust Certificates are to be redeemed in full) if later, on the Payment Business Day on which the relevant Trust Certificate is surrendered (where such surrender is required) at the specified office of the Registrar or the Principal Paying Agent (for value as soon as practicable thereafter).

Certificateholders will not be entitled to any payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Certificateholder is late in surrendering its Trust Certificate (if required to do so in accordance with this Condition 9).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount of such Dissolution Amount or Periodic Distribution Amount in fact paid.

10. **Agents**

10.1 ***Agents of Trustee***

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

10.2 ***Specified Offices***

The names of the initial Agents are set out above. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that:

- (a) there will at all times be a Principal Paying Agent; and
- (b) there will at all times be a Registrar (which may be the Principal Paying Agent).

Notice of any variation, termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 18 (*Notices*).

11. **Capital Distributions of Trust**

11.1 ***Scheduled Dissolution***

Unless the Trust Certificates are redeemed, purchased and/or cancelled earlier, each Trust Certificate shall be redeemed on the Scheduled Dissolution Date at its Final Dissolution Amount. Upon payment in full of the Final Dissolution Amount, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11.2 ***Early Dissolution for Tax Reasons***

If a Tax Event occurs, upon receipt of an Exercise Notice from Arada in accordance with the Sale and Substitution Undertaking, the Trust Certificates shall be redeemed by the Trustee in whole, but not in part, on any date (such date, the "**Tax Dissolution Date**") upon giving not less than 30 nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) at the Tax Dissolution Amount, where "**Tax Event**" means the determination by Arada that:

- (a) (i) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (ii) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

- (b) (i) Arada has or will become obliged to pay additional amounts pursuant to any Transaction Document to which it is a party as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (ii) such obligation cannot be avoided by Arada taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which: (1) (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Trust Certificates were then due; or (2) (in the case of (b) above) Arada would be obliged to pay such additional amounts if a payment to the Trustee under the relevant Transaction Document was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 11.2, the Trustee shall deliver to the Delegate: (A) a certificate signed by two directors of the Trustee (in the case of (a) above) or any authorised signatory of Arada (in the case of (b) above) stating that the Trustee is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (B) an opinion of independent legal or tax advisers of recognised international standing to the effect that the Trustee or, as the case may be, Arada has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof without incurring any liability to any person in which event it shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice as is referred to in this Condition 11.2, the Trustee shall be bound to redeem the Trust Certificates at the Tax Dissolution Amount and, upon payment in full of the Tax Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11.3 ***Dissolution following a Total Loss Event***

The Trustee shall, upon receipt of notice from Arada or otherwise becoming aware of the occurrence of a Total Loss Event (as defined below) and unless the Lease Assets are replaced as provided in the Servicing Agency Agreement by no later than the 60th day after the occurrence of a Total Loss Event, the Trust Certificates shall be redeemed by the Trustee in whole, but not in part, on the close of business in London on the 61st day after the occurrence of the Total Loss Event (or, if such date is not a Payment Business Day, on the immediately following Payment Business Day) (the "**Total Loss Dissolution Date**") at the Total Loss Dissolution Amount.

Upon payment in full of the Total Loss Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

A "**Total Loss Event**" is the total loss or destruction of, or damage to the whole of, the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Upon the occurrence of a Total Loss Event, the Servicing Agent shall promptly notify the Lessor, the Delegate and the Trustee of the same and the Trustee shall promptly notify Certificateholders (the "**Trading Notice**"): (i) of the occurrence of a Total Loss Event; and (ii) from the date of the Trading Notice and until any further notice from the Trustee, in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis).

For the avoidance of doubt, neither the Delegate nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari'a* principles of debt trading (such as the

principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) nor shall it be liable to any Certificateholder or any other persons in respect thereof.

11.4 ***Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)***

If a Tangibility Event occurs, upon receipt of a Tangibility Event Trustee Notice from Arada in accordance with the Servicing Agency Agreement, the Trustee shall promptly give notice to the Certificateholders (a "**Tangibility Event Notice**") in accordance with Condition 18 (*Notices*) specifying:

- (a) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
- (b) that as determined in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis);
- (c) on the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange (if any) on which the Trust Certificates have been admitted to trading or if such date is not a business day, the next following business day ("**business day**" being, for this purpose, a day on which the stock exchange on which the Trust Certificates are admitted to trading is open for business); and
- (d) the Tangibility Event Put Period, during which period any Certificateholder shall have the option to require the redemption of all or any of its Trust Certificates.

Upon receipt of the Tangibility Event Notice, the Certificateholder of any Trust Certificates may elect within the Tangibility Event Put Period to require the redemption of all or any of its Trust Certificates.

If any Certificateholder exercises its right to redeem its Trust Certificates in accordance with this Condition 11.4, the Trustee shall redeem such Trust Certificates on the Tangibility Event Put Right Date at the Tangibility Event Dissolution Amount.

If the relevant Trust Certificate is represented by a Definitive Trust Certificate and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must deposit its Trust Certificates with the Principal Paying Agent on any business day in the city of the specified office of the Principal Paying Agent falling within the Tangibility Event Put Period, giving notice to the Principal Paying Agent of such exercise (a "**Tangibility Event Put Notice**") in the form obtainable from the Principal Paying Agent or the Registrar.

If the relevant Trust Certificate is represented by a Global Trust Certificate and/or held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depository or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Tangibility Event Put Notice in the form obtainable from the Principal Paying Agent or the Registrar) and at the same time present or procure the presentation of the Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Tangibility Event Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 11.4 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 15 (*Dissolution Events*), in which event

such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 11.4.

If all (and not some only) of the Trust Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 11.4, upon payment in full of the Tangibility Event Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In these Conditions:

"Shari'a Adviser" has the meaning given to it in the Servicing Agency Agreement;

"Tangible Asset Ratio" has the meaning given to it in the Servicing Agency Agreement;

a **"Tangibility Event"** shall occur if, at any time, the Tangible Asset Ratio, other than as a result of the occurrence of a Total Loss Event or a Partial Loss Event, falls to less than 33 per cent.;

"Tangibility Event Put Period" shall be the period of 30 days commencing on the date that is the 60th day after a Tangibility Event Notice is given;

"Tangibility Event Put Right Date" shall be a date falling not less than 75 days following the expiry of the Tangibility Event Put Period; and

"Tangibility Event Trustee Notice" has the meaning given to it in the Servicing Agency Agreement.

For the avoidance of doubt, neither the Delegate nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in (b) above nor shall it be liable to any Certificateholder or any other person in respect thereof.

11.5 ***Dissolution at the Option of the Certificateholders (Change of Control Put Right)***

The Trustee, upon receipt of notice from Arada or otherwise upon becoming aware of the occurrence of a Change of Control, and at any time following the occurrence of a Change of Control, shall promptly give notice (a **"Change of Control Notice"**) to the Certificateholders in accordance with Condition 18 (*Notices*) of the Change of Control, specifying the nature and details of the Change of Control and require Certificateholders to elect (the **"Change of Control Put Right"**) at any time during the period of 30 days from and including the date on which the Change of Control Notice is given (the **"Change of Control Put Period"**) if they wish all or any of their Trust Certificates to be redeemed.

If a Change of Control occurs, upon a Certificateholder electing to redeem its Trust Certificates, the Trustee shall redeem such Trust Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Amount.

If the relevant Trust Certificate is represented by a Definitive Trust Certificate and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must deposit its Trust Certificates with the Principal Paying Agent on any business day in the city of the specified office of the Principal Paying Agent falling within the Change of Control Put Period, giving notice to the Principal Paying Agent of such exercise (a **"Change of Control Exercise Notice"**) in the form obtainable from the Principal Paying Agent or the Registrar.

If the relevant Trust Certificate is represented by a Global Trust Certificate and/or held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depository or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and

Clearstream, Luxembourg from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Change of Control Exercise Notice in the form obtainable from the Principal Paying Agent or the Registrar) and at the same time present or procure the presentation of the Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Change of Control Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 11.5 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 11.5 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 11.5.

If all (and not some only) of the Trust Certificates are to be redeemed on any Change of Control Put Right Date in accordance with this Condition 11.5, upon payment in full of the Change of Control Dissolution Amount to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

11.6 *Dissolution at the Option of Arada (Clean Up Call Right)*

If 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to this Condition 11 or Condition 12 (*Purchase and Cancellation of Trust Certificates*), and upon receipt of an Exercise Notice from Arada in accordance with the Sale and Substitution Undertaking, the Trustee shall redeem the Trust Certificates in whole but not in part, on the Trustee giving not less than 30 days' nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) on the date specified in such notice (the "**Clean Up Call Right Dissolution Date**") at the Clean Up Call Right Dissolution Amount.

11.7 *Dissolution following a Dissolution Event*

Upon the occurrence of a Dissolution Event, the Trust Certificates shall be redeemed at the Dissolution Event Amount, subject to and as more particularly described in Condition 15 (*Dissolution Events*) and this Condition 11 (*Capital Distributions of Trust*).

11.8 *No Other Optional Early Dissolution*

Neither the Trustee nor the Certificateholders shall be entitled to redeem, or cause to be redeemed, as applicable, the Trust Certificates, otherwise than as provided in this Condition 11 (*Capital Distributions of Trust*) and Condition 15 (*Dissolution Events*).

11.9 *Cancellation*

All Trust Certificates which are redeemed will forthwith be forwarded by or on behalf of the Trustee to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

12. *Purchase and Cancellation of Trust Certificates*

12.1 *Purchases*

Arada and/or any Subsidiary of Arada may at any time purchase Trust Certificates at any price in the open market or otherwise at any price. Following any purchase of Trust Certificates pursuant to this Condition 12.1, such Trust Certificates may be held, resold or, at the discretion of the holder thereof, cancelled (subject to such Trust Certificates being deemed not to remain outstanding for certain purposes as provided under the Declaration of Trust and these Conditions if so held, as more particularly set out in Condition 19 (*Meetings of Certificateholders; Modification*)).

12.2 **Cancellation**

Upon receipt of a Cancellation Notice from Arada in accordance with the Sale and Substitution Undertaking, Trust Certificates purchased by or on behalf of Arada or any Subsidiary and identified for cancellation in such Cancellation Notice will forthwith be forwarded by or on behalf of the Trustee to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

13. **Taxation**

All payments in respect of the Trust Certificates shall be made in U.S.\$ without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as will result in receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of any Trust Certificate:

- (a) held by or on behalf of a holder who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of the Trust Certificate; or
- (b) where the relevant Trust Certificate is required to be surrendered for payment and is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Certificateholder would have been entitled to such additional amount if it surrendered; or
- (c) the relevant Trust Certificate for payment on the last day of such period of 30 days.

14. **Prescription**

The rights to receive distributions in respect of the Trust Certificates will be forfeited unless claimed within periods of 10 years (in the case of Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

15. **Dissolution Events**

If any of the following events occurs and is continuing (each, a "**Dissolution Event**"):

- (a) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of seven days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of 14 days; or
- (b) the Trustee fails to perform or comply with any one or more of its other duties, obligations or undertakings under the Trust Certificates or the Transaction Documents, which failure is, in the sole opinion of the Delegate, incapable of remedy or, if in the sole opinion of the Delegate is capable of remedy, is not, in the sole opinion of the Delegate, remedied within the period of 30 days following the service by the Delegate of a written notice on the Trustee requiring the same to be remedied; or
- (c) an Arada Event occurs; or
- (d) the Trustee is insolvent or bankrupt or unable to pay its debts as they fall due, makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (e) a corporate administrator of all or substantially all of the undertaking assets and revenues of the Trustee is appointed, an order is made or an effective resolution passed for the

winding-up or dissolution or administration of the Trustee, or the Trustee applies or petitions for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution or the Delegate; or

- (f) any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (d) or (e) above; or
- (g) the Trustee repudiates any, or any part of a, Trust Certificate or Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any, or any part of a, Trust Certificate or Transaction Document to which it is a party; or
- (h) at any time it is or will become unlawful for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its duties, obligations and undertakings under the Trust Certificates or the Transaction Documents or any of the obligations of the Trustee under the Trust Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable,

the Delegate, upon receiving notice thereof in accordance with the Declaration of Trust and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, shall promptly give notice of the occurrence of such Dissolution Event to the holders of Trust Certificates in accordance with Condition 18 (*Notices*) with a request to such holders to indicate to the Trustee and the Delegate if they wish the Trust Certificates to be redeemed and the Trust to be dissolved. Following the issuance of such notice, the Delegate in its sole discretion may, and if so requested by Extraordinary Resolution or in writing by the holders of at least 25 per cent. of the aggregate face amount of Trust Certificates then outstanding shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Dissolution Notice**") to the Trustee, Arada and the holders of the Trust Certificates in accordance with Condition 18 (*Notices*) that the Trust Certificates are immediately due and payable at the Dissolution Event Amount, on the date of such notice (the "**Dissolution Event Redemption Date**"), whereupon they shall become so due and payable.

Upon payment in full of such amounts, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of paragraph (a) above, amounts shall be considered due in respect of the Trust Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Fixed Periodic Distribution Provisions*) and Condition 11 (*Capital Distributions of Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition 15, "**Arada Event**" shall mean each of the following events:

- (i) if default is made in the payment by Arada (acting in any capacity) of any amount in the nature of: (1) principal (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Dissolution Amount (in full or in part) when due under the Trust Certificates); or (2) profit (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Periodic Distribution Amount (in full or in part) when due under the Trust Certificates) payable by it pursuant to any Transaction Document to which it is a party and, in the case of (1) the default continues for a period of seven days and, in the case of (2), the default continues for a period of 14 days; or
- (ii) occurrence of a Partial Loss Dissolution Event; or
- (iii) if Arada (acting in any capacity): (1) delivers a notice to the Trustee and/or the Delegate pursuant to clause 5.1.4 of the Servicing Agency Agreement; or (2) fails

to perform or observe any one or more of its other obligations under the Transaction Documents (other than its obligations as set out in: (A) clauses 5.1 and 5.4 of the Servicing Agency Agreement; and (B) clause 9 of the Servicing Agency Agreement (save for the delivery of the Tangibility Event Trustee Notice)), which failure is, in the sole opinion of the Delegate, incapable of remedy or, if in the sole opinion of the Delegate capable of remedy, is not, in the sole opinion of the Delegate, remedied within the period of 30 days following the service by the Delegate on Arada of notice requiring the same to be remedied; or

- (iv) (1) any Indebtedness of Arada or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; (2) any such Indebtedness becomes due and payable prior to its stated maturity by reason of default (however described); or (3) Arada or any Material Subsidiary fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee of any Indebtedness, provided that each such event shall not constitute an Arada Event unless the aggregate amount of all such Indebtedness, either alone or when aggregated with all other Indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (v) one or more judgments or orders for the payment of any sum in excess of U.S.\$50,000,000 is rendered against Arada or any Material Subsidiary and continues unsatisfied, unstayed and unappealed for a period of 30 days after the date thereof (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days); or
- (vi) any order is made by any competent court or resolution passed for the winding-up or dissolution of Arada or any Material Subsidiary, save in connection with a Permitted Reorganisation; or
- (vii) Arada or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business, save in connection with a Permitted Reorganisation, or Arada or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (viii) (1) any court or other formal proceedings are initiated under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by Arada or the relevant Material Subsidiary), or an administrative or other receiver, manager, administrator or other similar official is appointed, in each case against or in relation to Arada or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of Arada, or all or substantially all of the undertaking or assets of such Material Subsidiary, in each case, save in connection with a Permitted Reorganisation; and/or (2) an encumbrancer takes possession of all or substantially all of the undertaking or assets of Arada, or all or substantially all of the undertaking or assets of any Material Subsidiary, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against any of the same; and (3) any such event as is mentioned in (1) or (2) above (other than the appointment of an administrator) is not discharged within 30 days; or
- (ix) Arada or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its

creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save in connection with a Permitted Reorganisation; or

- (x) any event occurs which under the laws of the United Arab Emirates or any Emirate therein or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (vi) to (ix) above; or
- (xi) at any time it is or becomes unlawful for Arada to perform or comply with any or all of its obligations under or in respect of any Transaction Document or any of the material obligations of Arada thereunder are not or cease to be legal, valid, binding or enforceable; or
- (xii) all or substantially all of any of Arada's Material Subsidiaries', revenues or assets are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any national, regional or local government,

provided, however, that, in the case of the happening of any of the events described in paragraphs (iii) or (other than the winding-up or dissolution of Arada) (v) to (xii) (inclusive) above, the Delegate shall have certified in writing to Arada that such event is, in its opinion, materially prejudicial to the interests of the holders of the Trust Certificates.

16. Enforcement and Exercise of Rights

16.1 *Limitation on Liability of the Trustee*

Following the enforcement, realisation and ultimate distribution of the proceeds of the Trust Assets in respect of the Trust Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums, and accordingly no Certificateholder may take any action against the Trustee or any other Person to recover any such sum in respect of the Trust Certificates or Trust Assets.

16.2 *Delegate not Obligated to take Action*

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action, step or proceedings against Arada and/or the Trustee under any Transaction Document unless directed or requested to do so by Extraordinary Resolution or in writing by the holders of at least 25 per cent. in aggregate face amount of the Trust Certificates then outstanding and subject, in each case, to it being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

16.3 *Direct enforcement by Certificateholders*

No Certificateholder shall be entitled to proceed directly against the Trustee or Arada, under any Transaction Document, unless the Delegate, having become so bound to proceed: (a) fails to do so within 30 days of becoming so bound; or (b) is unable by reason of an order of a court having competent jurisdiction, and such failure or inability is continuing. Under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents and/or these Conditions), and the sole right of the Trustee, the Delegate and the Certificateholders against the Trustee and Arada, as applicable, shall be to enforce their respective obligations under the Transaction Documents.

16.4 *Limited Recourse*

Conditions 16.1 (*Limitation on Liability of the Trustee*), 16.2 (*Delegate not Obligated to take Action*) and 16.3 (*Direct enforcement by Certificateholders*) are subject to this Condition 16.4. After enforcing or realising the Trust Assets in respect of the Trust Certificates and distributing the net proceeds of the Trust Assets in accordance with Condition 6.2 (*Application of Proceeds from the Trust Assets*) and the Declaration of Trust, the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and no Certificateholder may take any further steps against the

Trustee or the Delegate or any other Person to recover any further sums in respect of the Trust Certificates and the right to receive any such sums unpaid shall be extinguished.

17. **Replacement of Definitive Trust Certificates**

Should any definitive Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may reasonably require (in light of prevailing market practice). Mutilated or defaced definitive Trust Certificates must be surrendered and cancelled before replacements will be issued.

18. **Notices**

All notices to the Certificateholders will be valid if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Trust Certificates are for the time being admitted to trading and/or quotation (as applicable).

Any notice shall be deemed to have been given on the fourth day (other than a Saturday or Sunday) after being mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Global Trust Certificate representing the Trust Certificates is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Trust Certificates are represented by the Global Trust Certificate, such notice may be given by any holder of a Trust Certificate to the Principal Paying Agent through Euroclear and Clearstream, Luxembourg, in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

19. **Meetings of Certificateholders; Modification**

19.1 The Declaration of Trust contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by the Trustee, Arada or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Certificateholders holding not less than 10 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Persons holding or representing more than 50 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding, or at any adjourned meeting one or more Persons being or representing Certificateholders whatever the aggregate face amount of the Trust Certificates held or represented, unless the business of such meeting includes consideration of proposals to (each, a "**Reserved Matter**");

- (a) amend any Dissolution Date in respect of the Trust Certificates or any date for payment of Periodic Distribution Amounts on the Trust Certificates;
- (b) reduce or cancel the face amount of, or any premium payable on redemption of, the Trust Certificates;

- (c) reduce the rate of profit in respect of the Trust Certificates or to vary the method or basis of calculating the rate or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Trust Certificates;
- (d) vary any method of, or basis for, calculating the Dissolution Amount;
- (e) vary the currency of payment or denomination of the Trust Certificates;
- (f) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;
- (g) modify or cancel the payment obligations of Arada (in any capacity) and/or the Trustee under the Transaction Documents and/or the Trust Certificates (as the case may be);
- (h) amend any of Arada's covenants included in the Purchase Undertaking;
- (i) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or
- (j) amend this definition,

in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Trust Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they voted on the resolution).

The Declaration of Trust provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Trust Certificates outstanding or a resolution approved by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Delegate in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Trust Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Any such resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

- 19.2 The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time: (a) agree to any modification of any of the provisions of the Declaration of Trust or any other Transaction Document that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Certificateholders and provided that such modification is other than in respect of a Reserved Matter; or (b) (i) agree to waive or authorise any breach or proposed breach of any of the provisions of the Declaration of Trust or any other Transaction Document; (ii) determine that any Dissolution Event shall not be treated as such; or (iii) provide its consent to any matter in any Transaction Documents, provided that such waiver, consent, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Trust Certificates. No such direction or request will affect a previous waiver, consent, authorisation or determination. Any such modification, authorisation, determination, waiver or consent shall be binding on all Certificateholders and, unless the Delegate agrees otherwise, such modification, waiver, consent, authorisation or determination shall be notified by the Trustee (or Arada on its behalf) to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable.
- 19.3 In connection with the exercise of its rights, powers, trusts (in the case of the Trustee only), authorities and discretions under the Declaration of Trust (including, without limitation, any modification), these Conditions and each other Transaction Document, the Trustee and the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders

(whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and neither the Delegate nor the Trustee shall be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, Arada or the Delegate or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and Arada to the extent already provided for in Condition 13 (*Taxation*)).

20. Indemnification and Liability of the Delegate

20.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

20.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Arada (acting in any capacity) under any Transaction Document and shall not under any circumstances have any Liability or be obliged to account to the Certificateholders in respect of any payment which should have been made by Arada (acting in any capacity), but is not so made, and shall not in any circumstances have any Liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

20.3 Each of the Delegate and the Trustee is exempted from: (a) any Liability in respect of any loss or theft of the Trust Assets or any cash; (b) any obligation to insure the Trust Assets or any cash; and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default, gross negligence or fraud of the Delegate or the Trustee, as the case may be.

21. Further Issues

The Trustee shall, subject to and in accordance with the Declaration of Trust, be at liberty from time to time without the consent of the Certificateholders to create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates (or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series with the outstanding Trust Certificates. Any additional Trust Certificates which are to form a single series with the outstanding Trust Certificates previously constituted by the Declaration of Trust shall be constituted by a Supplemental Declaration of Trust. References in these Conditions to the Trust Certificates include (unless the context requires otherwise) any other trust certificates issued pursuant to this Condition and forming a single series with the outstanding Trust Certificates.

22. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Trust Certificates under the Contracts (Rights of Third Parties) Act 1999.

23. Governing Law and Dispute Resolution

23.1 Governing Law

The Declaration of Trust (including these Conditions) and the Trust Certificates and any non-contractual obligations arising out of or in connection with the same are and shall be governed by, and construed in accordance with, English law.

23.2 Arbitration

Subject to Condition 23.3 (*Option to Litigate*), any dispute, claim, difference or controversy arising out of, relating to or having connection with the Declaration of Trust and/or the Trust Certificates (which includes these Conditions) (including any dispute, claim, difference or controversy as to

their existence, validity, interpretation, performance, breach or termination of the Declaration of Trust or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 23. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be a lawyer experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules); and
- (c) the language of the arbitration shall be English.

23.3 ***Option to Litigate***

Notwithstanding Condition 23.2 (*Arbitration*), the Delegate may, in the alternative, and at its sole discretion, by notice in writing to the Trustee or Arada:

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 23.5 (*Effect of Exercise of Option to Litigate*) and, subject as provided below, any arbitration commenced under Condition 23.2 (*Arbitration*) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration (other than the Delegate, whose costs will be borne by Arada) will bear its own costs in relation to the terminated arbitration.

23.4 ***Notice to Terminate***

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) his entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

23.5 ***Effect of Exercise of Option to Litigate***

In the event that a notice pursuant to Condition 23.3 (*Option to Litigate*) is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England at the option of the Delegate, shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and Arada submits to the exclusive jurisdiction of such courts;

- (b) each of the Trustee and Arada agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 23.5 is for the benefit of the Delegate only. As a result, and notwithstanding paragraph (a) above, to the extent allowed by law, the Delegate may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

23.6 **Service of Process**

Each of the Trustee and Arada has irrevocably appointed Walkers at 1st Floor, 99 Bishopsgate, London EC2M 3XD, United Kingdom to receive for it and on its behalf, service of process in respect of any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee or Arada, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of the Trustee and Arada shall forthwith appoint a new agent for service of process in England and notify the Delegate and the Certificateholders of such appointment (in accordance with Condition 18 (*Notices*)) within 30 days. Nothing herein shall affect the right to serve process in any other manner permitted by law.

24. **Waiver of Immunity**

Under the Declaration of Trust, Arada has agreed, to the extent that Arada may claim, in any jurisdiction, for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any jurisdiction to Arada or its assets or revenues, it shall not claim and it shall irrevocably and unconditionally waive such immunity to the fullest extent permitted by the laws of such jurisdiction in relation to any Proceedings or Disputes. Further, each of Arada and the Trustee have irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any Proceedings or Disputes.

25. **Waiver of Interest**

- 25.1 Each of the Trustee, Arada and the Delegate has in the Declaration of Trust irrevocably agreed that no interest will be payable or receivable under or in connection therewith or any other Transaction Document and each party agrees that it will not claim any interest in respect of any proceedings brought by or on behalf of a party under the Declaration of Trust or any other Transaction Document.
- 25.2 If it is determined that any interest is payable or receivable in connection therewith or any other Transaction Document by a party, whether as a result of any judicial or arbitral award or by operation of any applicable law or otherwise, such party has agreed in the Declaration of Trust to waive any rights it may have to claim or receive such interest and has agreed therein that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- 25.3 For the avoidance of doubt, nothing in this Condition 25 shall be construed as a waiver of rights in respect of any Periodic Distribution Amounts, Required Amounts, Rentals, Dissolution Amounts, Exercise Price, Tangibility Event Certificateholder Put Right Exercise Price, Change of Control Exercise Price, Full Reinstatement Value, Loss Shortfall Amount, Deferred Sale Price, Profit Amount Instalments, Profit Amounts or profit or principal or other amount payable of any kind howsoever described payable by Arada (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or recharacterised by way of court or arbitral tribunal.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection at the specified office of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined in the Conditions shall have the meanings in this summary.

The Declaration of Trust

The Declaration of Trust will be entered into between the Trustee, Arada and the Delegate and will be governed by English law. Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise, *inter alia*, the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Lease Assets, the rights, title, interests, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by Arada to the Trustee and the Delegate pursuant to the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 14.1 of the Declaration of Trust) and all monies standing to the credit of the Transaction Account from time to time.

Pursuant to the Declaration of Trust, the Trustee will agree to act for and on behalf of the Certificateholders and, *inter alia*:

- (a) hold the Trust Assets on trust absolutely for the Certificateholders as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

The Declaration of Trust will specify, *inter alia*:

- (a) no recourse shall be had for the payment of any amount under the Declaration of Trust or under any Transaction Document, whether for the payment of any fee, indemnity or other amount under the Declaration of Trust or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, shareholders or administrators), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, any Agents and their respective agents or affiliates shall be extinguished;
- (b) the Trustee may from time to time (but subject always to the provisions of the Declaration of Trust), without the consent of the Certificateholders, create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates (or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series with the outstanding Trust Certificates. Any additional Trust Certificates which are to be created and issued so as to form a single series with the outstanding Trust Certificates shall be constituted by a Supplemental Declaration of Trust in relation to which all applicable stamp duties or other documentation fees, duties or taxes have been paid and, if applicable, duly stamped and containing such other provisions as are necessary (including making such consequential modifications to the Declaration of Trust) in order to give effect to the issue of such additional Trust Certificates; and
- (c) on the date upon which any additional Trust Certificates are created and issued pursuant to the provisions described in paragraph (b) above, the Trustee will execute a declaration of commingling of assets for and on behalf of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates so created and issued, declaring that the additional Assets (as set out in the declaration of commingling of assets) and the Lease Assets in respect of the Trust Certificates as in existence immediately prior to the creation and issue of the additional Trust Certificates and the investments made pursuant to the Murabaha Agreement (and all rights arising under or with respect to such investments made pursuant to the Murabaha Agreement) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates as tenants in common *pro rata*

according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Declaration of Trust.

In the Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to, *inter alia*, exercise all the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust. The appointment of the Delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject as provided in the Declaration of Trust, does not affect the Trustee's continuing role and obligations as trustee of the trusts created pursuant to the Declaration of Trust.

In the Declaration of Trust the Delegate will undertake that, *inter alia*, if it has received express notice pursuant to the Declaration of Trust of the occurrence of a Dissolution Event in respect of any Trust Certificates and subject to Condition 15 (*Dissolution Events*): (i) it shall, as soon as reasonably practicable, give notice of the occurrence of such Dissolution Event to the Certificateholders in accordance with Condition 18 (*Notices*) with a request to such holders to indicate whether they wish the Trust Certificates to become immediately due and payable; and (ii) if so requested by Extraordinary Resolution or in writing by Certificateholders representing not less than 25 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding (subject to being indemnified and/or secured and/or prefunded to its satisfaction), or if the Delegate decides in its discretion, it shall give notice to the Trustee, Arada and the Certificateholders in accordance with Condition 18 (*Notices*) that the Trust Certificates are to be redeemed on the Dissolution Event Redemption Date specified in such notice at the Dissolution Amount.

A non-interest bearing Transaction Account in London will be established in the name of the Trustee in respect of the Trust Certificates. Monies received in the Transaction Account will, *inter alia*, comprise payments corresponding to Periodic Distribution Amounts and/or Dissolution Amounts immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Declaration of Trust provides that all moneys standing to the credit of the Transaction Account from time to time will be applied in the manner set out in Condition 6.2 (*Application of Proceeds from the Trust Assets*).

In the Declaration of Trust, Arada will undertake that (i) if, at the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, Arada Developments LLC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be; and (ii) if, following delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, Arada shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Tangibility Event Certificateholder Put Right Certificates or the Change of Control Put Right Trust Certificates (each as defined in the Purchase Undertaking), as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

Arada will further undertake that, if the outstanding Deferred Sale Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Murabaha Agreement for any reason whatsoever, Arada shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Sale Price.

In addition, if the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 13 (*Taxation*), Arada will undertake that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by the Trustee in respect of the Trust Certificates pursuant to Condition 13 (*Taxation*).

Purchase Agreement

The Purchase Agreement will be entered into on the Issue Date between the Trustee (in its capacity as purchaser), Aljada Developments LLC (in its capacity as seller), Masaar Developments LLC (in its capacity

as seller) and Arada (in its capacity as obligor) and will be governed by the laws of the Emirate of Sharjah and, to the extent applicable to the Emirate of Sharjah, the federal laws of the UAE.

Pursuant to the Purchase Agreement, Aljada Developments LLC and Masaar Developments LLC (in their capacity as sellers) may sell, transfer and convey to the Trustee (in its capacity as purchaser), and the Trustee may purchase and accept the transfer and conveyance from Aljada Developments LLC and Masaar Developments LLC of, all of their rights, title, interests, benefits and entitlements in, to and under the Assets at the Purchase Price.

Lease Agreement

The Lease Agreement will be entered into on the Issue Date between the Trustee (in its capacity as lessor), Arada (in its capacity as lessee) and the Delegate and will be governed by laws of the Emirate of Sharjah and, to the extent applicable to the Emirate of Sharjah, the federal laws of the UAE.

Pursuant to the Lease Agreement, the Trustee (in its capacity as lessor) will agree to lease to Arada (in its capacity as lessee), and Arada will agree to lease from the Trustee, the Lease Assets during renewable rental periods commencing on the lease commencement date (which shall be the Issue Date) and extending to the Scheduled Dissolution Date (unless the Lease Agreement is terminated earlier in accordance with its terms or extended in accordance with the Purchase Undertaking).

No later than 10.00 am on the business day prior to the completion of each rental period, the Trustee (in its capacity as lessor) (or its agent), shall send a rental notice to Arada (in its capacity as lessee). Such notice shall be irrevocable and Arada (in its capacity as lessee) will agree that, unless it rejects such notice on such day when such rental notice is delivered (in which case it acknowledges that it will be in breach of its undertaking to irrevocably and unconditionally lease from the Trustee (in its capacity as lessor) for the lease term) it will be deemed to have accepted each such notice as and when delivered. Where there is any delay or failure by the Trustee (in its capacity as lessor) in delivering a rental notice, the rental for the relevant rental period shall accrue at the same rate as the rental for the immediately preceding rental period.

On each "**Additional Servicing Agency Expenses Request Date**" (being the date on which Arada (in its capacity as servicing agent) submits to the Trustee (in its capacity as lessor) or its agent a request for the Trustee's (in its capacity as lessor) approval of Arada (in its capacity as servicing agent) incurring or paying any proposed liability comprising an additional servicing agency expense), the Trustee (in its capacity as lessor) (or its agent) shall notify Arada (in its capacity as lessee) in writing that it is requested to pay to the Trustee (in its capacity as lessor) on the first business day of the first rental period commencing after the Additional Servicing Agency Expenses Request Date an amount of additional supplementary rental in respect of that rental period (as shall also be specified in the relevant rental notice) equal to the relevant additional servicing agency expenses proposed to be incurred in the rental period in which such Additional Servicing Agency Expenses Request Date falls. Such notice shall be irrevocable and Arada (in its capacity as lessee) hereby agrees that, unless it rejects such notice on such Additional Servicing Agency Expenses Request Date (in which case it acknowledges that such rejection will constitute an Arada Event), it will be deemed to have approved such notice as and when delivered and agreed to pay the requested amount of additional supplementary rental in accordance with such notice and the relevant rental notice.

Arada (in its capacity as lessee) will agree to use the Lease Assets at its own risk. Accordingly, Arada (in its capacity as lessee) shall from the date of the Lease Agreement bear the entire risk of loss of or damage to the Lease Assets or any part thereof arising from the usage or operation thereof by it to the extent that such loss or damage has resulted from its gross negligence, wilful default, actual fraud or breach of its obligations under the Lease Agreement. In addition, the Trustee (as lessor) shall not be liable (and Arada (as lessee) will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with Arada's (as lessee) use or operation of the Lease Assets.

If a Total Loss Event occurs with respect to the Lease Assets, then, without prejudice to any right or remedy the Trustee (in its capacity as lessor) may have under any Transaction Document or by law, the Lease Agreement and the lease shall automatically terminate, and further rental payments shall cease to be due under the Lease Agreement, except that such termination will not occur where the Lease Assets have been replaced pursuant to the Servicing Agency Agreement (and provided the Lease Agreement has been amended in accordance therewith to reflect the Replacement Lease Assets (as defined below) by the 60th day following such Total Loss Event) and the Trustee (in its capacity as lessor) will be entitled to all proceeds of the Insurances payable as a result of the Total Loss Event.

If a Partial Loss Event shall occur with respect to any of the Lease Assets and provided that:

- (a) the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, and a notice of termination of the lease on the 61st day after the Partial Loss Event Date (a "**Partial Loss Termination Notice**") has been delivered by Arada (in its capacity as the lessee) to the Trustee (in its capacity as lessor) within a period of 30 days after the Partial Loss Event Date; or
- (b) the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement,

without prejudice to any right or remedy that the Trustee (in its capacity as lessor) may have under any Transaction Document or by law, the lease shall automatically terminate on the 61st day after the Partial Loss Event Date (the "**Partial Loss Termination Date**") and further rental payments shall cease to be due under the Lease Agreement on such 61st day after the Partial Loss Event Date subject to the Lessee's right to make a rental reimbursement request in accordance with the provisions of the Lease Agreement and the Trustee (in its capacity as lessor) will be entitled to all proceeds of the Insurances payable as a result of the Partial Loss Event.

For the avoidance of doubt, if Arada (in its capacity as lessee) does not issue a Partial Loss Termination Notice within 30 days of the Partial Loss Event Date, or it expressly waives such right, it shall not be entitled to exercise such right thereafter.

By no later than the 31st day after the Partial Loss Event Date, Arada (in its capacity as lessee) may request a proportionate reduction in rental by way of reimbursement of the rental applicable to the period from and including the Partial Loss Event Date to but excluding the earlier of: (a) the relevant replacement date; and (b) the 61st day after the Partial Loss Event Date to take into account the impairment suffered in relation to the impaired Lease Assets (the "**Rental Reimbursement Amount**"), provided that the Partial Loss Event relating to such impaired Lease Assets has not arisen as a result of Arada's (in its capacity as lessee) negligence or misconduct (such request, being a "**Rental Reimbursement Request**"). If a Rental Reimbursement Request is made in accordance with the provisions of the Lease Agreement, the Trustee (in its capacity as lessor) shall procure the payment of the Rental Reimbursement Amount by the Servicing Agent (on its behalf) to Arada (in its capacity as lessee) from only: (i) the proceeds of any Insurances paid in accordance with clause 5 of the Servicing Agency Agreement; and/or (ii) (to the extent the proceeds of such Insurances (if any) are insufficient) any Loss Shortfall Amount (as defined below) paid in accordance with clause 5 of the Servicing Agency Agreement, on the 61st day after the Partial Loss Event Date. For the avoidance of doubt, if Arada (in its capacity as lessee) does not make a Rental Reimbursement Request before the 31st day after the Partial Loss Event Date, or it expressly waives such right, it shall not be entitled to exercise such right thereafter.

For the avoidance of doubt if, following a Partial Loss Event, the lease is not terminated pursuant to the Lease Agreement and whether or not a Rental Reimbursement Request is made, then the terms of the lease, including the amount of rental, shall continue on the same terms as which applied prior to the occurrence of the Partial Loss Event.

Arada (in its capacity as lessee) will undertake in the Lease Agreement that it shall maintain actual or constructive possession, custody or control of all of the Lease Assets from the date of the Lease Agreement until the satisfaction in full of all its obligations under the Transaction Documents to which it is a party.

Under the Lease Agreement, Arada (in its capacity as lessee) will agree to be responsible, at its own cost and expense, for the performance of all ordinary maintenance and repair required for any Lease Asset. The Trustee (in its capacity as lessor) shall be responsible for: (i) the performance of all major maintenance and structural repair; (ii) the payment of any proprietorship or other relevant taxes (excluding all taxes that are by law imposed, charged or levied against a lessee or a tenant); and (iii) insuring the Lease Assets in accordance with the Servicing Agency Agreement, and Arada (as lessee) will acknowledge that the Trustee (as lessor) may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, the major maintenance and structural repair, the payment of such taxes and the Insurance of the Lease Assets, on behalf of the Trustee (in its capacity as lessor).

All payments by Arada (as lessee) to the Trustee (as lessor) under the Lease Agreement shall be made in U.S. dollars without set-off (except as provided below) or counterclaim of any kind and free and clear of, and without any deduction or withholding, for any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power

to tax, unless the withholding or deduction is required by law. In that event, Arada (as lessee) will agree under the Lease Agreement to pay such additional amounts as will result in the receipt by the Trustee (as lessor) of such amounts as would have been received by it had no such deduction or withholding had been required.

Arada (in its capacity as lessee) will ensure that its payment obligations under the Lease Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of Arada and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of Arada from time to time outstanding.

Servicing Agency Agreement

The Servicing Agency Agreement will be entered into on the Issue Date between the Trustee (in its capacity as lessor) and Arada (in its capacity as servicing agent) and will be governed by English law.

Pursuant to the Servicing Agency Agreement, Arada (as servicing agent) will be responsible on behalf of the Trustee (in its capacity as lessor) for the carrying out of all major maintenance and structural repair, the payment of proprietorship taxes (if any) charged, levied or claimed on the Lease Assets, for effecting all appropriate Insurances in respect of the Lease Assets, maintenance of the Collection Account and the appointment of a *Shari'a* adviser.

The Servicing Agent will irrevocably undertake with the Trustee (in its capacity as lessor) that the Servicing Agent, on behalf of the Trustee (in its capacity as lessor), will:

- (a) ensure that the Lease Assets, so long as any Trust Certificates are outstanding, are at all times properly insured (the "**Insurances**") (through brokers and with reputable insurance companies in good financial standing) to the extent consistent with general industry practice by prudent owners of similar assets, and in addition against any Total Loss Event and/or Partial Loss Event (together, "**Loss Events**"). The Servicing Agent will undertake to ensure that the insured amount relating to each Loss Event will, at all times, be at least equal to the Full Reinstatement Value;
- (b) promptly make a claim in respect of each loss relating to the Lease Assets in accordance with the terms of the Insurances and diligently pursue such claim;
- (c) ensure that, in the event of a Loss Event occurring, unless such Lease Assets are replaced pursuant to the Servicing Agency Agreement, all proceeds of any Insurances against a Loss Event are in an amount equal to the Full Reinstatement Value and are credited (or equivalent) in U.S. dollars to the Collection Account by no later than the 60th day after the occurrence of the Loss Event and that the insurers are directed accordingly; and
- (d) if within 60 days of the Issue Date and for any reason, the Servicing Agent is not in compliance with paragraph (a) above, it shall immediately deliver written notice to the Trustee and the Delegate of such non-compliance and the details thereof.

The delivery of the notice referred to in paragraph (d) to the Trustee and/or the Delegate in relation to non-compliance with paragraph (a) above shall constitute an Arada Event.

If, a Loss Event has occurred and if:

- (i) the notice referred to in paragraph (d) above has not been delivered by the Servicing Agent to the Trustee and the Delegate prior to the occurrence of such Loss Event;
- (ii) the Lease Assets have not been replaced in accordance with the paragraph below; and
- (iii) the amount (if any) credited (or equivalent) to the Collection Account pursuant to paragraph (c) above is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited (or equivalent) to the Collection Account being the "**Loss Shortfall Amount**"),

then the Servicing Agent will undertake to: (1) transfer the amounts (if any) credited to the Collection Account pursuant to paragraph (c) above; and (2) pay (in same day, freely transferable, cleared funds) the

Loss Shortfall Amount directly, in each case to the Transaction Account by no later than close of business in London on the 61st day after the occurrence of the Loss Event. Subject to transferring such amounts (if any) credited to the Collection Account pursuant to paragraph (c) above and paying such Loss Shortfall Amount in accordance with this paragraph, there will be no further claim against the Servicing Agent for failing to comply with its insurance obligations.

The Servicing Agency Agreement will provide that if, on the occurrence of a Loss Event (other than in respect of a Partial Loss Event where a Partial Loss Termination Notice has been delivered pursuant to the Lease Agreement), the Servicing Agent receives notice from Arada that replacement Eligible Assets (the "**Replacement Lease Assets**"): (x) that are free from all claims, encumbrances and any other rights of third parties, and (y) the aggregate value as at the date of replacement (the "**Replacement Date**") of which is not less than the aggregate value of the Replacement Lease Assets, are available on or before the 60th day after the occurrence of the Loss Event, the Servicing Agent shall notify the Trustee of the same. Immediately following such notice, the Trustee may subject to, and pursuant to a separate purchase agreement substantially in the form, *mutatis mutandis*, of the Supplemental Purchase Agreement purchase such Replacement Lease Assets from the relevant seller by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of the relevant seller(s), in consideration for the sale, transfer and conveyance by the relevant seller(s) of the Replacement Lease Assets to the Trustee.

"**Full Reinstatement Value**" means an amount equal to the aggregate of: (a) in the case of a Total Loss Event: (i) the aggregate face amount of the Trust Certificates then outstanding plus all due but unpaid Periodic Distribution Amounts relating to such Trust Certificates; plus (ii) an amount equal to the Periodic Distribution Amounts relating to such Trust Certificates, which would have accrued (had a Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurs and ending on but excluding the 61st day after the occurrence of the Total Loss Event; plus (iii) without duplication or double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including, but not limited to, an amount equal to any outstanding Additional Servicing Agent Expenses in respect of which the Lessee has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Lease Agreement); less (iv) if any, the aggregate amounts of Deferred Sale Price then outstanding; and (b) in the case of a Partial Loss Event: (i) the aggregate value of the impaired Lease Assets; plus (ii) an amount equal to any Rental Reimbursement Amount payable to the Lessee in accordance with the Lease Agreement.

The "**Service Charge Amount**" payable to Arada (in its capacity as servicing agent) shall be an amount equal to, in respect of a rental period, the aggregate of all payments and liabilities made or incurred by the Servicing Agent during that rental period in respect of the services provided under the Servicing Agency Agreement in relation to the Lease Assets as notified by the Servicing Agent to the Trustee (in its capacity as lessor), except for any payments or liabilities which comprise Additional Servicing Agency Expenses.

The Servicing Agency Agreement provides that the Servicing Agent shall appoint, and maintain the appointment of, the *Shari'a* Adviser to advise on any matters requested by the Servicing Agent and also to assist the Servicing Agent in monitoring the compliance by the Servicing Agent with the requirements of AAOIFI *Shari'a* standards when acting in accordance with the terms of the Transaction Documents to which it is a party.

The Servicing Agent shall not incur or pay any liability in any rental period in respect of the services to be performed in relation to the Lease Assets which, individually or in the aggregate, would exceed the "**All Expenses Reserve Amount**" (the amount by which such liability exceeds the All Expenses Reserve Amount, the "**Additional Servicing Agency Expenses**") unless: (a) a request for such incurrence or payment of Additional Servicing Agency Expenses has been made by the Servicing Agent to the Trustee (in its capacity as lessor) in accordance with the Servicing Agency Agreement; and (b) following such request, Arada (in its capacity as lessee) has agreed to pay to the Trustee (in its capacity as lessor) an amount of Additional Supplementary Rental equal to such Additional Servicing Agency Expenses on the first business day of the first rental period commencing after the Additional Servicing Agency Expenses Request Date (as defined below) in accordance with the Lease Agreement. If, during any rental period, the Servicing Agent incurs or pays such liability without first satisfying the foregoing conditions in (a) and (b) above, then it shall be deemed to have unconditionally agreed to satisfy, donate and pay all such liabilities from its own account and the Trustee (in its capacity as lessor) shall have no responsibility whatsoever in connection with such liability.

The Servicing Agent shall submit to the Trustee (in its capacity as lessor) or its agent the invoice or receipt for (or other evidence of payment or incurrence of) each liability comprising the Service Charge Amount, as soon as practicable after the payment or incurrence thereof. The Servicing Agent shall submit to the Trustee (in its capacity as lessor) or its agent a request for the Trustee's (in its capacity as lessor) approval of the Servicing Agent incurring or paying any proposed liability comprising an Additional Servicing Agency Expense prior to incurring or paying such proposed liability (the date of such notice being the "**Additional Servicing Agency Expenses Request Date**").

Subject to the terms of the Lease Agreement:

- (a) the Trustee (in its capacity as lessor) shall procure that an amount equal to the Service Charge Amount notified to it in accordance with the above paragraph is recorded in the Collection Account on the first business day of the first rental period commencing after the services invoice date; and
- (b) the Trustee (in its capacity as lessor) shall procure the reimbursement of the Servicing Agent for each Additional Servicing Agency Expense approved by recording such amount in the Collection Account on the first business day of the first rental period after the Additional Servicing Agency Expenses Request Date or, if the lease is terminated prior to such date, on the date of termination of the lease.

An amount equal to an Additional Servicing Agency Expense shall not be reimbursed unless the Servicing Agent evidences the requirement for the payment or the incurrence of each liability comprising such Additional Servicing Agency Expense by delivering to the Lessor quotations or other proper evidence of such requirement by no later than the Additional Servicing Agency Expenses Request Date.

Arada (in its capacity as Servicing Agent) will ensure that its payment obligations under the Servicing Agency Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of Arada and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of Arada from time to time outstanding.

Purchase Undertaking

The Purchase Undertaking will be executed on the Issue Date by Arada (in its capacity as obligor) as a deed in favour of the Trustee and the Delegate and will be governed by English law.

Provided that no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred, the Lease Assets have been replaced pursuant to the Servicing Agency Agreement), Arada (in its capacity as obligor) will irrevocably grant to the Trustee and the Delegate the right to require Arada to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets (or the applicable proportion thereof, as the case may be) upon the Trustee or the Delegate (on behalf of the Trustee) exercising its option thereunder and delivering an Exercise Notice to Arada in accordance with the terms of the Purchase Undertaking, on the Scheduled Dissolution Date or, if earlier, on the Dissolution Event Redemption Date or the Change of Control Put Right Date or the Tangibility Event Put Right Date at the Exercise Price or the Change of Control Exercise Price or the Tangibility Event Certificateholder Put Right Exercise Price, as the case may be.

The "**Exercise Price**", "**Tangibility Event Certificateholder Put Right Exercise Price**" or the "**Change of Control Exercise Price**" (as the case may be) payable by Arada (as obligor) shall be equal to the aggregate face amount of the Trust Certificates then outstanding or the Trust Certificates to be redeemed on the Tangibility Event Put Right Date or the Change of Control Put Right Date, as the case may be, plus all due but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates plus, without duplication or double counting, if all of the Trust Certificates are being redeemed in full, an amount representing any amounts payable by Arada Sukuk Limited (in any capacity) under the Transaction Documents to which it is a party (including, but not limited to, if all Trust Certificates are being redeemed in full, an amount equal to any outstanding Additional Servicing Agency Expenses in respect of which Arada (in its capacity as lessee) has agreed to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Lease Agreement) provided that, in the case of any amounts payable pursuant to Condition 6.2(a) (*Application of Proceeds from the Trust Assets*), Arada has received a notification from the Delegate of such amounts by not later than the third business day prior to the date on which the Exercise Notice is delivered, less, the aggregate amounts of Deferred

Sale Price (or the applicable proportion thereof, as the case may be) then outstanding, less, in the case of the Exercise Price only, in the case of a Dissolution Event arising as a result of a Partial Loss Dissolution Event only, any proceeds of Insurance and/or Loss Shortfall Amount paid in respect of a Partial Loss Event in accordance with the terms of the Servicing Agency Agreement and standing to the credit of the Transaction Account less any (i) amount of Rental Reimbursement Amount; or (ii) other reimbursement or refund of rental, in each case paid or payable in accordance with the terms of the Lease Agreement.

Arada (in its capacity as obligor) will undertake in the Purchase Undertaking that it shall irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets. Arada (in its capacity as obligor) will further undertake in the Purchase Undertaking that if, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, Arada Developments LLC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be, and if, following delivery of the exercise notice in accordance with the provision of the Purchase Undertaking, the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, Arada shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Tangibility Event Certificateholder Put Right Trust Certificates or the Change of Control Put Right Trust Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

Arada (in its capacity as obligor) will also agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made in U.S. dollars without set-off (except as provided below) or counterclaim of any kind and, free and clear of, any deduction or withholding for Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless required by law. In that event, Arada (as obligor) shall pay such additional amounts as will result in the receipt by the Trustee of such amounts as would have been received by it had no withholding or deduction had been required.

The amount equal to the outstanding Additional Servicing Agency Expenses to be paid by Arada as part of the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, payable pursuant to the Purchase Undertaking in respect of which the Trustee (in its capacity as lessor) has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Lease Agreement, and any Additional Servicing Agency Expenses to be paid by the Trustee (in its capacity as lessor) pursuant to the Servicing Agency Agreement, shall be set-off against one another and the obligation to pay that part of the Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be pursuant to the exercise of the Purchase Undertaking, shall be discharged by such set-off.

Arada (in its capacity as obligor) will ensure that its payment obligations under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of Arada and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu*, with all other present and future unsecured and unsubordinated obligations of Arada, from time to time outstanding.

Arada will agree that an Arada Event shall constitute a Dissolution Event for the purposes of the Conditions.

Sale and Substitution Undertaking

The Sale and Substitution Undertaking will be executed on the Issue Date by the Trustee as a deed in favour of Arada and will be governed by English law.

Provided that no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred, the Lease Assets have been replaced pursuant to the Servicing Agency Agreement), the Trustee will irrevocably grant to Arada the right to require the Trustee to sell, transfer and/or convey all of its rights, title, interests, benefits and entitlements in, to and under the Lease Assets to Arada upon Arada exercising its option thereunder and delivering an Exercise Notice to the Trustee in accordance with the terms of the

Sale and Substitution Undertaking, on the Tax Dissolution Date or Clean Up Call Right Dissolution Date (as the case may be) at the Exercise Price.

The amount equal to any outstanding Additional Servicing Agency Expenses to be paid by Arada as part of any Exercise Price, in respect of which the Trustee (in its capacity as lessor) has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Lease Agreement and any Additional Servicing Agency Expenses to be paid by the Trustee (in its capacity as lessor) pursuant to the Servicing Agency Agreement, shall be set off against one another, and the obligation to pay that part of the Exercise Price shall be discharged by such set-off.

In addition, under the terms of the Sale and Substitution Undertaking, if at any time Arada wishes to cancel any Trust Certificates purchased pursuant to Condition 12.1 (*Purchases*), Arada may, by exercising its option under the Sale and Substitution Undertaking and by delivering a Cancellation Notice to the Trustee in accordance with the terms of the Sale and Substitution Undertaking, oblige the Trustee to transfer all of its rights, title, interests, benefits and entitlements in, to and under the Cancelled Lease Assets to Arada in consideration for which the Trust Certificates purchased shall be cancelled subject to certain conditions set out in the Sale and Substitution Undertaking. Following such transfer, the Trustee shall forthwith surrender to the Registrar the relevant Trust Certificates identified for cancellation in the Cancellation Notice on the Cancellation Date.

Furthermore, pursuant to the terms of the Sale and Substitution Undertaking, the Trustee will grant to Arada the right to require the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the substituted Lease Assets to it in exchange for the sale to the Trustee of new Lease Assets subject to certain conditions set out in the Sale and Substitution Undertaking.

Murabaha Agreement

The Murabaha Agreement will be entered into on the Issue Date between Arada (in its capacity as buyer, the "**Buyer**"), the Trustee (in its capacity as seller, the "**Seller**") and the Delegate and will be governed by English law.

Pursuant to the Murabaha Agreement, the Seller shall, on receipt of a purchase order from the Buyer in accordance with the terms of the Murabaha Agreement, purchase certain commodities on the Issue Date. Following the purchase of the commodities by the Seller, and provided that the Seller has acquired title thereto and actual or constructive possession thereof, the Seller shall deliver to the Buyer by no later than the Issue Date a letter of offer and acceptance indicating the Seller's acceptance of the terms of the purchase order made by the Buyer and detailing the terms of the offer for the sale of the commodities by the Seller to the Buyer on the Issue Date.

Pursuant to the Murabaha Agreement, the Buyer may accept the terms of, countersign and deliver to the Seller any letter of offer and acceptance delivered to it in accordance with the Murabaha Agreement and, if it countersigns the Letter of Offer and Acceptance shall irrevocably and unconditionally (as a result of the Seller having acted on the request of the Buyer set out in the purchase order) purchase from the Seller the commodities acquired by the Seller for the Deferred Sale Price in accordance with the terms of the Murabaha Agreement.

As soon as the Buyer has countersigned the letter of offer and acceptance, a murabaha contract shall be created between the Seller and the Buyer upon the terms of the letter of offer and acceptance and incorporating the terms and conditions set out in the Murabaha Agreement, and ownership and acquisition of title to the relevant commodities and actual or constructive possession thereof and all risks in and to the relevant commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer will also agree in the Murabaha Agreement that all payments by it under the Murabaha Agreement will be made in U.S. dollars without set-off or counterclaim of any kind and, free and clear of, any deduction or withholding for Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless required by law. In that event, the Buyer shall pay such additional amounts as will result in the receipt by the Trustee of such amounts as would have been received by it had no withholding or deduction had been made.

The Buyer will ensure that its payment obligations under the Murabaha Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) unsecured obligations of the Buyer and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 5.1 (*Negative Pledge*)) at all times rank at least *pari passu*, with all other present and future unsecured and unsubordinated obligations of the Buyer, from time to time outstanding.

Shari'a Compliance

Each Transaction Document to which it is a party will provide that each of Arada Sukuk Limited and Arada Developments LLC agrees that it has accepted the *Shari'a*-compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

TAXATION

The following is a general description of certain Cayman Islands and UAE tax considerations relating to the Trust Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Trust Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Trust Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Trust Certificates and receiving payments under the Trust Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion of certain Cayman Islands tax consequences of an investment in the Trust Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on Trust Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Trust Certificates, nor will gains derived from the disposal of the Trust Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor-in-Cabinet of the Cayman Islands dated 21 March 2022, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 30 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Trust Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (As Revised) of the Cayman Islands.

No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Trust Certificates. An instrument transferring title to any Trust Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

United Arab Emirates

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Trust Certificates is based on the taxation law and practice in force at the date of this Offering Circular and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Trust Certificates and the receipt of any payments with respect to such Trust Certificates under the laws of the jurisdictions in which they may be liable to taxation.

Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Sharjah taxation in respect of payments on debt securities (including in relation to the Trust Certificates). In the event of the imposition of any withholding in the future, the Trustee has undertaken to gross-up any payments subject to certain limited exceptions, as described in Condition 13 (Taxation).

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Trust Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Trust Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "**established**" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Trust Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be classified as a foreign financial institution for these purposes. A number of jurisdictions (including the UAE and the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Trust Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Trust Certificates issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Prospective holders of the Trust Certificates should consult their own tax advisers regarding how these rules may apply to their investment in the Trust Certificates.

SUBSCRIPTION AND SALE

Words and expressions defined in the Conditions shall have the same meanings in this section, "Subscription and Sale".

The Joint Lead Managers have entered into a subscription agreement with the Trustee and Arada dated 6 June 2022 with respect to the Trust Certificates (the "**Subscription Agreement**"). The Trustee has agreed to issue and sell to the Joint Lead Managers U.S.\$350,000,000 in aggregate face amount of the Trust Certificates and, subject to certain conditions, the Joint Lead Managers have agreed to subscribe for the Trust Certificates. In accordance with the terms of the Subscription Agreement, each of the Trustee and Arada will reimburse the Joint Lead Managers in respect of certain of their expenses incurred in connection with the issue of the Trust Certificates and indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Trust Certificates. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Trust Certificates in certain circumstances prior to payment of proceeds to the Trustee.

United States

The Trust Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Joint Lead Manager has represented and agreed that: (a) it has offered and sold, and will offer or sell, the Trust Certificates constituting part of its allotment: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Trust Certificates, only in accordance with Rule 903 of Regulation S; and (b) neither it nor any of its affiliates (nor any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Trust Certificates.

Each Joint Lead Manager has agreed that, at or prior to confirmation of sale, it will have sent to each distributor, manager or person receiving a selling concession, fee or other remuneration which purchases Trust Certificates from it during the 40 day distribution compliance period a confirmation or notice in substantially the following form:

"The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution of the Trust Certificates, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in the above paragraphs have the meanings given to them by Regulation S.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of any Trust Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Arada; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the UK.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Trust Certificates except on a private placement basis, to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more (excluding that person's principal place of residence);
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Sultanate of Oman

Each Joint Lead Manager has represented and agreed that:

- (a) this Offering Circular has not been filed with or registered as a prospectus by it with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended) ("**Article 3**"), will not be offered or sold by it as an offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Sultani Decree 18/19, as amended) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and
- (b) the Trust Certificates have not been and will not be offered, sold or delivered by it and no invitation to subscribe for or to purchase the Trust Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in the Sultanate of Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in the Sultanate of Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Trust Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Trust Certificates pursuant to an offering should note that the offer of Trust Certificates is a private placement under Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the "**CMA**") resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 5-5-2022 dated 5 January 2022 (the "**KSA Regulations**"), made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the KSA Regulations.

The Trust Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Trust Certificates made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Trust Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, sell or deliver at any time, directly or indirectly, any Trust Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre).

This Offering Circular: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre

Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Cayman Islands

Each Joint Lead Manager has represented and agreed that no offer or invitation, whether directly or indirectly, to subscribe for any Trust Certificates has been or will be made by it to any member of the public of the Cayman Islands.

UAE (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)

Each Joint Lead Manager has represented and agreed that the Trust Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering or sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Trust Certificates to any person in the DIFC unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority ("**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Abu Dhabi Global Market

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Trust Certificates to any person in the ADGM unless such offer is:

- (a) an "**Exempt Offer**" in accordance with Rule 4.3 of the Markets Rules of the Financial Services Regulatory Authority (the "**FSRA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in the Conduct of Business Module of the FSRA rulebook.

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Trust Certificates to be issued have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Trust Certificates is being made in the State of Kuwait, and no agreement relating to the sale of the Trust Certificates will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Trust Certificates in the State of Kuwait.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Certificates other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMPO)**") or which do not constitute an offer to the public within the meaning of the C(WUMPO); and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Trust Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Trust Certificates or caused such Trust Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Trust Certificates or cause the Trust Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Trust Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Trust Certificates pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Malaysia

Each Joint Lead Manager has represented and agreed that:

- (a) this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia (the "SC") under the Capital Markets and Services Act 2007 of Malaysia (the "CSMA"); and
- (b) accordingly, the Trust Certificates have not been and will not be offered or sold by it, and no invitation to subscribe for or purchase the Trust Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in

Malaysia, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 (or Section 229(1)(b)) and Part 1 of Schedule 7 (or Section 230(1)(b)) and Schedule 8 or Section 257(3), read together with Schedule 9 (or Section 257(3)) of the CSMA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals, including approval from the Controller of Foreign Exchange to purchase the Trust Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers shall be responsible for any invitation, offer, sale or purchase of Trust Certificates as aforesaid without the necessary approvals being in place.

General

Each Joint Lead Manager has represented and agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Trust Certificates or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, Arada or any other Joint Lead Manager shall have any responsibility therefor.

None of the Trustee, Arada or any of the Joint Lead Managers: (i) makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any Trust Certificates, or possession or distribution of this Offering Circular or any other offering material in any country or jurisdiction where action for that purpose is required; or (ii) represents that Trust Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

GENERAL INFORMATION

Authorisation

The issue of the Trust Certificates and the entry by the Trustee into the Transaction Documents to which it is a party has been duly authorised by a resolution of the Board of Directors of the Trustee dated 13 May 2022. The entry by Arada into the Transaction Documents to which it is a party has been duly authorised by a resolution of the shareholders of Arada dated 11 May 2022.

The Trustee and Arada have each obtained all necessary consents, approvals and authorisations in connection with the issue of the Trust Certificates and the execution and performance of the Transaction Documents to which they are a party.

Listing of Trust Certificates

Application has been made to the London Stock Exchange for the Trust Certificates to be admitted to the ISM with effect from on or around the Issue Date. The ISM is not a regulated market for the purposes of UK MiFIR.

The ISM is a market designated for professional investors. The Trust Certificates admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Auditors

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee has no subsidiaries. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The current auditors of Arada are KPMG Lower Gulf Limited (authorised and regulated under the Register of Practising Accountants at the UAE Ministry of Economy and Planning as required by UAE Federal Law No. 22 of 1995). The consolidated financial statements of Arada as at for the year ended 31 December 2021 and as at for the year ended 31 December 2020 have been audited without qualification in accordance with International Standards on Auditing by KPMG Lower Gulf Limited, as stated in their audit reports set out herein.

No Significant Change

There has been no significant change in the financial performance or financial position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial performance or financial position of Arada and its subsidiaries, taken as a whole, since 31 December 2021 and there has been no material adverse change in the prospects of Arada and its subsidiaries, taken as a whole, since 31 December 2021.

Litigation

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

Arada is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Arada is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of Arada.

Documents Available

For so long as any Trust Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available during normal business hours on any day (excluding Saturdays, Sundays and public holidays), for inspection and/or

collection from the registered office of the Trustee and from the specified office of the Principal Paying Agent:

- (a) the Transaction Documents;
- (b) the Memorandum and Articles of Association of the Trustee;
- (c) the constitutional documents of Arada; and
- (d) this Offering Circular.

Clearing Systems

The Trust Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The ISIN for the Trust Certificates is XS2471859251. The Common Code for the Trust Certificates is 247185925. See as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN for the Financial Instrument Short Name (FISN) and/or Classification of Financial Instruments (CFI) code applicable to the Trust Certificates.

Legal Entity Identifier

The Trustee's Legal Entity Identifier ("LEI") code is 549300F4ZUCO6Z48KC28.

Joint Lead Managers Transacting with Arada

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in various financial advisory, investment banking and/or commercial banking transactions with, and may perform services for Arada in the ordinary course of business for which they have received, and for which they may in the future receive, fees and expenses. In particular, certain of the Joint Lead Managers are lenders/financiers to Arada and proceeds from the issue of the Trust Certificates may be used to pay such outstanding facilities. Further, the Joint Lead Managers may purchase and sell Trust Certificates in the open market.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Arada.

Certain of the Joint Lead Managers or their affiliates that have a lending/financing relationship with Arada routinely hedge their credit exposure to Arada consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into hedging transactions which may consist of taking certain positions in securities, including potentially the Trust Certificates. Any such exposures could adversely affect future trading prices of the Trust Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or other positions in such securities and instruments.

Cayman Islands Data Protection

Under the Cayman Islands Data Protection Act (as amended) and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Trustee as data controller has obligations with respect to the processing of personal data by the Trustee and its affiliates and delegates. Breach of the Data Protection Legislation by the Trustee could lead to enforcement action.

The Trustee has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Trustee's use of their personal data in accordance with the Data Protection Legislation. The Data Privacy Notice can be accessed at:

<https://www.walkersglobal.com/external/SPVDPNotice.pdf>.

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Arada Developments LLC and its subsidiaries

Consolidated financial statements

31 December 2021



KPMG Lower Gulf Limited
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Sharjah, United Arab Emirates
Tel. +971 (6) 517 0700, www.kpmg.com/ae

Independent auditors' report

To the Shareholders of Arada Developments LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arada Developments LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (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 Information

Management is responsible for the other information. The other information comprises the Annual report which is set out on pages 1 to 36.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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.

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.

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

- 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.

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

Report on Other Legal and Regulatory Requirements

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) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- iii) the Group has maintained proper books of account;
- iv) the consolidated financial information included in the Annual report is consistent with the books of account of the Group;
- v) as disclosed in note 32 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2021;



Report on Other Legal and Regulatory Requirements (continued)

- vi) note 16 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- 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 Group 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 in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2021.

KPMG Lower Gulf Limited- Shj BR

Emilio Pera
Registration No.: 1146
Sharjah, United Arab Emirates

Date: 20 APR 2022

Arada Developments LLC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2021

	Note	2021 AED	2020 AED
Revenue	5	1,293,391,972	1,113,326,829
Direct cost	6	(940,715,362)	(831,956,409)
Other income		49,600,629	7,372,253
General and administrative expenses	7	(105,650,704)	(74,076,115)
Sales and marketing expenses	8	(81,291,253)	(78,299,320)
Reversal of impairment of property, plant and equipment	10(i)	13,793,499	2,513,194
Gain on remeasurement of development properties on transfer to investment properties	12	31,983,394	-
Reversal of write-down of properties held for development and sale	11(vii)	8,327,148	218,602,547
Change in fair value of investment properties	12	36,481,762	(28,179,511)
Share of results from an equity accounted investee	14	1,899,926	18,030,519
Impairment recognised on trade receivables and contract assets	15(ii)	(16,958,111)	(1,353,914)
Finance costs	9(a)	(167,629,159)	(122,541,376)
Finance income	9(b)	821,744	273,161
Profit for the year		124,055,485	223,711,858
Other comprehensive income		-	-
Total comprehensive income for the year		124,055,485	223,711,858
Attributable to:			
Owners of the Company		124,099,108	223,781,392
Non-controlling interest	29	(43,623)	(69,534)
Total comprehensive income for the year		124,055,485	223,711,858

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 37 to 40.

Arada Developments LLC and its subsidiaries

Consolidated statement of financial position

As at 31 December 2021

	Note	2021 AED	2020 AED
Assets			
Non-current assets			
Property, plant and equipment	10	271,581,907	145,582,245
Properties held for development and sale	11	2,242,433,227	1,822,925,031
Investment properties	12	571,799,240	409,532,195
Right-of-use assets	13	40,987,973	9,763,053
Investment in an equity accounted investee	14	25,511,464	23,611,538
Trade, contract and other receivables	15	39,941,390	36,804,501
Loan to a related party	16(e)	6,884,693	6,620,890
Total non-current assets		3,199,139,894	2,454,839,453
Current assets			
Properties held for development and sale	11	636,363,905	711,187,540
Trade, contract and other receivables	15	939,926,308	948,184,355
Due from related parties	16(b)	11,410,435	45,629,445
Due from shareholders	16(d)	190,661,111	193,779,424
Cash and cash equivalents	17	470,292,487	55,360,257
Total current assets		2,248,654,246	1,954,141,021
Total assets		5,447,794,140	4,408,980,474
Equity and liabilities			
Equity			
Share capital	18(a)	200,000,000	200,000,000
Legal reserve	18(b)	14,457,801	14,457,801
Retained earnings		412,010,778	497,911,670
Attributable to owners of the Company		626,468,579	712,369,471
Non-controlling interest	29	(137,586)	(93,963)
Total equity		626,330,993	712,275,508
Liabilities			
Non-current liabilities			
Due to related parties	16(c)	498,695,242	-
Payable to the Government of Sharjah	19	2,117,205,099	2,061,720,376
Borrowings	20	484,234,062	183,666,975
Trade and other payables	24	69,444,884	40,819,814
Lease liabilities	21	40,521,539	7,505,899
Employees' end of service benefits	22	6,606,300	4,597,220
Total non-current liabilities		3,216,707,126	2,298,310,284
Current liabilities			
Due to related parties	16(c)	15,197,342	18,055,996
Payable to the Government of Sharjah	19	59,557,590	31,237,724
Borrowings	20	435,858,307	195,644,684
Lease liabilities	21	3,737,132	2,443,648
Advances from customers	23	568,527,109	761,781,947
Trade and other payables	24	521,878,541	389,230,683
Total current liabilities		1,604,756,021	1,398,394,682
Total liabilities		4,821,463,147	3,696,704,966
Total equity and liabilities		5,447,794,140	4,408,980,474

These consolidated financial statements were authorized by the Board of Directors and signed on their behalf by:



Director



Director

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 37 to 40.

Arada Developments LLC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 AED	2020 AED
Operating activities			
Profit for the year		124,055,485	223,711,858
<i>Adjustment for:</i>			
Depreciation	10 and 13	16,803,801	12,210,294
Provision for employees' end of service benefits	22	2,424,680	2,645,691
Gain on remeasurement of development properties on transfer to investment properties	12	(31,983,394)	-
Change in fair value of investment properties	12	(36,481,762)	28,179,511
Reversal of impairment of property, plant and equipment	10	(13,793,499)	(2,513,194)
Share of results from an equity accounted investee	14	(1,899,926)	(18,030,519)
Reversal of write-down of properties held for development and sale	11	(8,327,148)	(218,602,547)
Loss on disposal of property, plant and equipment		1,189,089	-
Impairment of trade receivables and contract assets	15(ii)	16,958,111	1,353,914
Finance costs	9(a)	167,629,159	122,541,376
Finance income	9(b)	(821,744)	(273,161)
Operating profit before working capital changes		235,752,852	151,223,223
Changes in working capital			
Trade, contract and other receivables		(11,851,953)	(567,417,758)
Due from related parties		34,219,010	(29,347,083)
Properties held for development and sale		(399,964,019)	65,156,463
Due to related parties		474,063,085	17,635,250
Trade and other payables		161,272,928	174,275,145
Payment to the Government of Sharjah	19	(17,325,608)	(20,282,941)
Advances from customers		(193,254,838)	255,680,365
Cash generated from operating activities		282,911,457	46,922,664
Payments for employees' end of service benefits	22	(415,600)	(721,266)
Net cash generated from operating activities		282,495,857	46,201,398
Investing activities			
Acquisition of property, plant and equipment	10	(132,487,613)	(80,555,175)
Proceeds from disposal of property, plant and equipment		7,051,861	-
Acquisition of investment properties	12	(30,195,283)	(19,236,216)
Investment in an equity accounted investee	14	-	(5,581,019)
Movement in shareholder current account	16	3,118,313	(91,523,508)
Loan given to a related party		(263,803)	(6,620,890)
Finance income		821,744	273,161
Net cash used in investing activities		(151,954,781)	(203,243,647)
Financing activities			
Borrowings obtained during the year	20	748,442,955	217,887,907
Borrowings repaid during the year	20	(222,569,203)	(54,119,520)
Lease liabilities paid during the year	21	(3,272,417)	(3,099,264)
Finance costs	9(a)	(43,117,139)	(19,757,337)
Dividend paid	30	(210,000,000)	-
Net cash generated from financing activities		269,484,196	140,911,786
Net increase/ (decrease) in cash and cash equivalents		400,025,272	(16,130,463)
Cash and cash equivalents at beginning of the year		50,267,884	66,398,347
Cash and cash equivalents at end of the year	17	450,293,156	50,267,884

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 37 to 40.

Arada Developments LLC and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Attributable to owners of the Company					Non-controlling interest	Total
	Share capital AED	Shareholders' contribution AED	Legal reserve AED	Retained earnings AED	Total AED	AED	AED
At 1 January 2020	300,000	187,101,656	150,000	301,036,423	488,588,079	(24,429)	488,563,650
<i>Total comprehensive income for the year</i>							
Profit/ (loss) for the year	-	-	-	223,781,392	223,781,392	(69,534)	223,711,858
	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income for the year	-	-	-	223,781,392	223,781,392	(69,534)	223,711,858
	-----	-----	-----	-----	-----	-----	-----
<i>Transactions with owners of the Company</i>							
Transfer to share capital (refer to note 18)	199,700,000	(187,101,656)	-	(12,598,344)	-	-	-
<i>Other equity movements</i>							
Transfer to legal reserve (refer to note 18(b))	-	-	14,307,801	(14,307,801)	-	-	-
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2020	200,000,000	-	14,457,801	497,911,670	712,369,471	(93,963)	712,275,508
	=====	=====	=====	=====	=====	=====	=====
At 1 January 2021	200,000,000	-	14,457,801	497,911,670	712,369,471	(93,963)	712,275,508
<i>Total comprehensive income for the year</i>							
Profit/ (loss) for the year	-	-	-	124,099,108	124,099,108	(43,623)	124,055,485
	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income for the year	-	-	-	124,099,108	124,099,108	(43,623)	124,055,485
	-----	-----	-----	-----	-----	-----	-----
<i>Transactions with owners of the Company</i>							
Dividend (note 30)	-	-	-	(210,000,000)	(210,000,000)	-	(210,000,000)
	-----	-----	-----	-----	-----	-----	-----
At 31 December 2021	200,000,000	-	14,457,801	412,010,778	626,468,579	(137,586)	626,330,993
	=====	=====	=====	=====	=====	=====	=====

The accompanying notes 1 through 33 form an integral part of these consolidated financial statements.

1 Legal status and principal activities

Arada Developments LLC (the Company") is a limited liability company registered in Sharjah, United Arab Emirates ("UAE") in accordance with the UAE Federal Law No. (2) of 2015 (as amended) and incorporated on 22 January 2017. The registered office of the Company is P.O Box 2680, Sharjah, UAE.

During the year, CORP KBW Investments LLC (the new shareholder) acquired the entire 60% interest in the Company from H.R.H. Khalid Bin Alwaleed Bin Talal (the erstwhile shareholder) who is also the ultimate beneficiary owner of the new shareholder. The registered shareholding of the Company is as follows:

Name	2021		2020	
	No. of shares	Shareholding %	No. of shares	Shareholding %
CORP KBW Investments LLC	120,000	60	-	-
H.R.H. Khalid Bin Alwaleed Bin Talal	-	-	120,000	60
Basma Group LLC	80,000	40	80,000	40
	=====	==	=====	==

During the year, the Company has incorporated following new subsidiaries:

Name	Legal status	Country of incorporation	Ownership
Arada Education LLC	Limited Liability Company	UAE	100%
Aljada Sewage Treatments FZE	Free Zone Establishment	UAE	100%
Arada Association Administrative Supervision LLC	Limited Liability Company	UAE	100%

The principal activities of the Company and its subsidiaries (collectively referred to as the Group) are carrying real estate enterprises investment, development, educational institution and management, facilities management and operating and managing fitness club. Also refer to note 28. These consolidated financial statements present the financial position, the results of the operations and cashflows of the Company and its subsidiaries for the year ended 31 December 2021.

These consolidated financial statements were authorised for issue on 20 April 2022.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board ("IASB") and the requirements of UAE Federal Law No. (2) of 2015 (as amended).

The Group is required, for the year ended 31 December 2021, to be in compliance with the provisions of the UAE Federal Law No. (2) of 2015 (as amended). On 20 September 2021, the UAE Federal Decree Law No. (32) of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. (2) of 2015 (as amended). The Group has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No. (32) of 2021. The Group is currently assessing the impact of the new law and expects to be fully compliant on or before due date.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention basis except for investment properties which are stated at fair values.

2.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is also the Group's functional currency.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 31.

2.5 New standards, amendments and interpretations not yet effective

A number of new standards and amendments to IFRSs are effective for annual period beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Issued but not yet effective

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- € Onerous contracts ñ Cost of Fulfilling a Contract (Amendments to IAS 37) (Effective date: 1 January 2022)
- € COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) (Effective date: 1 April 2021)
- € Annual Improvements to IFRS Standards 2018ñ2020 (Effective date: 1 January 2022)
- € Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) (Effective date: 1 January 2022)
- € Reference to Conceptual Framework (Amendments to IFRS 3) (Effective date: 1 January 2022)
- € Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (Effective date: 1 January 2023)
- € Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (Effective date: 1 January 2023)
- € Definition of Accounting Estimates (Amendments to IAS 8) (Effective date: 1 January 2023)
- € Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date: Available for optional adoption/ effective date deferred indefinitely)

New currently effective requirements

The following amended standards and interpretations do not to have a significant impact on the Group's consolidated financial statements.

- € COVID-19- Related Rent Concessions (Amendment to IFRS 16) (Effective date: 1 June 2020)
- € Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (Effective date: 1 January 2021)

3 Significant accounting policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

3.1 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, and its branches as set out in note 28, which have been consolidated on a line-by-line basis.

(a) *Business combinations*

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(b) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) *Business combination is achieved in stages*

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognised in profit or loss.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(c) Business combination is achieved in stages (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(d) Non-controlling interest ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(e) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(g) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in a joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group's interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost which includes transaction costs and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income until the date on which significant influence or joint control ceases. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the joint venture. Unrealised gains arising from transactions with joint venture are eliminated against the investment to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Significant accounting policies (continued)

3.2 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when the Group transfers control over a product or service to a customer.

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

- Step 1 Identify the 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 the 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 service to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based 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.

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially recognised at cost including capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any except for land which is carried at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit or loss.

3 Significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives of property, plant and equipment for the current is as follows:

	Useful life (years)
Building	30 - 50
Computers and office equipment	3
Furniture and fixtures	3
Construction equipment	3
Gym equipment	5
Motor vehicles	3
	==

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.4 Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40 *Investment Property*. Any gain or loss arising from a change in fair value is recognised in the profit or loss.

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

3 Significant accounting policies (continued)

3.5 Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct / operating costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

The amount of any write down of properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in profit or loss in the period in which the increase occurs but only to the extent that the carrying value does not exceed the actual cost.

Transfer from properties held for sale to investment properties

Certain properties held for sale are transferred to investment properties when there is a change in use of the properties and those properties are either released for rental or for capital appreciation or both. The properties held for sale are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in profit or loss. Subsequent to initial measurement, such properties are measured at fair value in accordance with the measurement policy for investment properties. Any gain arising on this remeasurement is recognised in profit or loss on the specific property.

Transfer from properties held for sale to owner-occupied properties

If properties held for sale becomes owner-occupied property, it is reclassified as property, plant and equipment. Such transfers are made at the carrying value of the properties at the date of transfer.

3.6 Leases

i. As a lessee

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

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand alone prices. However, for the leases of property the Group has elected not to separate non lease components and account for the lease and non lease components as a single lease component.

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

3 Significant accounting policies (continued)

3.6 Leases (continued)

i. As a lessee (continued)

The right of use asset is subsequently depreciated using the straight line method over 5 to 11 years from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero. From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

3 Significant accounting policies (continued)

3.6 Leases (continued)

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

3.7 Deferred expenses

Sales commission payable to the agents and sales staff at the time of sale of properties under development is recognised as deferred expenses. The future benefits relating to the sales commission will flow to the Group over the period of time when the revenue from sale of properties is recognised. If the sales contract is cancelled before the completion of the project, the related deferred cost will be expensed in the profit or loss.

3.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method and treated as an adjustment to the instruments effective interest rate.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

3 Significant accounting policies (continued)

3.9 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.

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

3.10 Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year or less, they are classified as current liabilities.

3.11 Financial instruments

(a) *Classification and subsequent measurement of financial assets and financial liabilities*

Financial assets

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset within the scope of the standard, are never separated. Instead, the hybrid financial instrument as a whole is assessed for its classification.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(a) Classification and subsequent measurement of financial assets and financial liabilities (continued)

Financial assets (continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets and financial liabilities.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(b) Impairment of financial assets

IFRS 9 uses a forward-looking expected credit loss (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The impairment model will apply to financial assets measured at amortised cost, debt investments at FVOCI and contract assets, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade, contract and other receivables, due from related parties, due from shareholders and cash at banks.

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(b) Impairment of financial assets

The ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition.

- Ç Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Ç Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered as credit impaired, an amount equal to the default probability-weighted lifetime ECL will be recorded.
- Ç Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments are classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Measurement of ECLs

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(b) Impairment of financial assets (continued)

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(c) Derecognition (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.12 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than inventories, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit or loss. They are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.13 Foreign currency

Transactions denominated in foreign currencies are translated to the respective functional currency of the Group at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency difference arising on retranslation is recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to the functional currency at the exchange rates at the date of transaction.

3.14 Employees' end of service benefits

The Group provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employee's 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 eligible UAE and GCC national employees, the Group makes contributions to a pension fund established by the UAE General Pension and Social Security Authority calculated as a percentage of the employee's salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

3 Significant accounting policies (continued)

3.15 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

3.16 Finance costs

Finance costs comprise interest expense on borrowings, interest expense on lease liabilities, amortisation expense of non-current liabilities and bank charges, and is recognised in the profit or loss using the effective interest method.

4 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- € Credit risk
- € Liquidity risk
- € Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

4 Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its trade and other receivables (excluding prepayments, deferred expenses, value added tax recoverable and advances), loan to a related party, amount due from shareholders, amount due from related parties and cash at banks. The amounts presented in the consolidated statement of financial position are net of allowances for impairment on receivables, if any. An allowance for impairment is made in accordance with expected credit loss (ECL) model. This requires considerable judgment about how the changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The Group's exposure to credit risk is influenced mainly by individual characteristics of the customers; however, the Group is collecting advances from customers on periodical basis and the handover of properties to the customers will take place only after final settlement of all dues by them. Other receivables, loan to a related party, amounts due from shareholders and related parties are considered fully recoverable by the management. The Group's cash is placed with banks of repute.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, as they fall due, that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables, amount due to related parties, lease liabilities, payable to the Government of Sharjah and bank borrowings. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has no significant exposure to currency risks as significant transactions entered into by the Group are in AED.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its borrowings with floating interest rates.

Capital management

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to the shareholders, return on capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015 (as amended), the Group is not subject to any externally imposed capital requirements.

5 Revenue

	2021 AED	2020 AED
Revenue from contracts with customers		
Sale of properties	1,284,145,497	1,113,326,829
Others	5,751,997	-
	-----	-----
	1,289,897,494	1,113,326,829
Other revenue		
Lease income	3,494,478	-
	-----	-----
	1,293,391,972	1,113,326,829
	=====	=====

Timing of revenue recognition

Revenue from contract with customers included above is recognised as follows:

Over a period of time	1,138,168,425	1,113,326,829
At a point of time (refer to note i below)	151,729,069	-
	-----	-----
Revenue from contracts with customers	1,289,897,494	1,113,326,829
Other revenue	3,494,478	-
	-----	-----
	1,293,391,972	1,113,326,829
	=====	=====

- i) This represents revenue from sale of properties which were completed at the time of signing of sales purchase agreement.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future from existing contracts related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	1 year AED	2 to 4 years AED	Total AED
Sale of properties	2,349,359,965	1,028,582,450	3,377,942,415
	=====	=====	=====

6 Direct cost

	2021 AED	2020 AED
Cost of properties sold (refer to note 11)	937,886,754	831,956,409
Other direct expense	2,828,608	-
	-----	-----
	940,715,362	831,956,409
	=====	=====

7 General and administrative expenses

	2021	2020
	AED	AED
Employee related expenses	62,460,189	52,290,545
Depreciation (refer to notes 10 and 13)	16,803,801	12,210,294
Legal and professional expenses	3,523,909	1,110,778
Other expenses	22,862,805	8,464,498
	-----	-----
	105,650,704	74,076,115
	=====	=====

8 Sales and marketing expenses

	2021	2020
	AED	AED
Sales commission (refer to note 15(iii))	41,116,221	46,917,261
Advertisement expense	23,702,457	12,137,663
Other expenses	16,472,575	19,244,396
	-----	-----
	81,291,253	78,299,320
	=====	=====

9 Finance costs/ income

a) Finance costs

	2021	2020
	AED	AED
Amortization of balance payable to the Government of Sharjah (refer to note 19)	101,130,197	102,199,645
Finance cost on bank borrowings	31,209,454	14,103,789
Amortization of non-current balance of due to a related party (refer to note 16(c))	21,773,503	-
Guarantee charges	10,630,360	4,505,534
Interest expense on lease liabilities (refer to note 21)	1,608,320	584,394
Bank charges	1,277,325	1,148,014
	-----	-----
	167,629,159	122,541,376
	=====	=====

b) Finance income

Interest income from loan to a related party (refer to note 16(c))	821,744	273,161
	=====	=====

10 Property, plant and equipment

	Land and Building AED	Computers and office equipment AED	Furniture and fixtures AED	Construction equipment AED	Gym equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost								
At 1 January 2020	34,282,154	5,262,799	15,437,294	9,620,000	-	1,106,175	29,263,762	94,972,184
Additions	-	557,874	1,999,748	-	-	4,586,767	73,410,786	80,555,175
Transfer from properties held for development and sale (refer to note 11(vi))	2,576,292	-	-	-	-	-	-	2,576,292
Transfers from capital work-in-progress	96,682,721	-	629,106	-	-	-	(97,311,827)	-
At 31 December 2020	133,541,167	5,820,673	18,066,148	9,620,000	-	5,692,942	5,362,721	178,103,651
At 1 January 2021	133,541,167	5,820,673	18,066,148	9,620,000	-	5,692,942	5,362,721	178,103,651
Additions	19,061,747	4,520,883	12,920,156	-	4,366,834	3,046,115	88,571,878	132,487,613
Disposals	-	-	-	(9,620,000)	-	(244,494)	-	(9,864,494)
Transfers from capital work-in-progress	33,805,202	1,306,242	4,484,905	-	238,221	-	(39,834,570)	-
At 31 December 2021	186,408,116	11,647,798	35,471,209	-	4,605,055	8,494,563	54,100,029	300,726,770
Accumulated depreciation and impairment								
At 1 January 2020	16,306,693	2,132,505	5,832,309	687,110	-	489,291	-	25,447,908
Charge for the year (refer to note 7)	1,485,067	1,727,809	4,531,479	737,510	-	1,104,827	-	9,586,692
Reversal of allowance for impairment (refer note (i) below)	(2,513,194)	-	-	-	-	-	-	(2,513,194)
At 31 December 2020	15,278,566	3,860,314	10,363,788	1,424,620	-	1,594,118	-	32,521,406
At 1 January 2021	15,278,566	3,860,314	10,363,788	1,424,620	-	1,594,118	-	32,521,406
Charge for the year (refer to note 7)	2,387,982	2,047,578	5,814,006	-	102,495	1,688,439	-	12,040,500
On disposals	-	-	-	(1,424,620)	-	(198,924)	-	(1,623,544)
Reversal of allowance for impairment (refer note (i) below)	(13,793,499)	-	-	-	-	-	-	(13,793,499)
At 31 December 2021	3,873,049	5,907,892	16,177,794	-	102,495	3,083,633	-	29,144,863
Net book value								
At 31 December 2021	182,535,067	5,739,906	19,293,415	-	4,502,560	5,410,930	54,100,029	271,581,907
At 31 December 2020	118,262,601	1,960,359	7,702,360	8,195,380	-	4,098,824	5,362,721	145,582,245

- i) During the year, a reversal of previously recognised impairment of AED 13.7 million (2020: AED 2.5 million) was recognised in relation to the land and buildings based on fair valuation provided by the valuers. Also refer to note 12(i).
- ii) Properties amounting to AED 93.9 million (2020: Nil) are mortgaged to banks against the islamic credit facilities of the Group (refer to note 20).
- iii) Also refer to note 25.

11 Properties held for development and sale

	----- 2021 -----			----- 2020 -----		
	Completed and under construction properties AED	Properties held for future development and sale AED	Total AED	Completed and under construction properties AED	Properties held for future development and sale AED	Total AED
At 1 January	711,187,540	1,822,925,031	2,534,112,571	585,889,250	1,797,353,529	2,383,242,779
Additions during the year	518,011,921	711,916,211	1,229,928,132	650,429,549	116,370,397	766,799,946
Units cancelled during the year (refer to note ii)	107,922,641	-	107,922,641			
Transfers	300,735,163	(300,735,163)	-	306,825,150	(306,825,150)	-
Transfer to property, plant and equipment (refer to notes 10 and (vi) below)	-	-	-	-	(2,576,292)	(2,576,292)
Transfer to investment properties (refer to notes 12 and (v) below)	(63,606,606)	-	(63,606,606)	-	-	-
Cost of properties sold (refer to note 6)	(937,886,754)	-	(937,886,754)	(831,956,409)	-	(831,956,409)
	-----	-----	-----	-----	-----	-----
Reversal of write-down (refer to note (vii) below)	636,363,905	2,234,106,079	2,870,469,984	711,187,540	1,604,322,484	2,315,510,024
	-	8,327,148	8,327,148	-	218,602,547	218,602,547
	-----	-----	-----	-----	-----	-----
Non-current	636,363,905	2,242,433,227	2,878,797,132	711,187,540	1,822,925,031	2,534,112,571
	-	(2,242,433,227)	(2,242,433,227)	-	(1,822,925,031)	(1,822,925,031)
	-----	-----	-----	-----	-----	-----
At 31 December	636,363,905	-	636,363,905	711,187,540	-	711,187,540
	=====	=====	=====	=====	=====	=====

i) Properties held for future development and sale represents plots of land where necessary infrastructure cost is incurred but construction has not commenced as at the reporting date.

ii) The Company has cancelled the sales purchase agreement with several customers during the year, and forfeited the units due to defaults by the customers on payment terms and conditions as per the respective sales agreement.

iii) As at the reporting date, properties held for development and sale include completed properties amounting to AED 14.8 million (2020: AED 7 million).

11 Properties held for development and sale (continued)

- iv) Properties held for development and sale amounting to AED 1,427.3 million (2020: AED 1,311.9 million) are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20).
- v) During the year, portfolio of retail units amounting to AED 95.6 million were transferred from properties held for development and sale to investment properties based on change in use of the properties. On transfer, a gain on remeasurement amounting to AED 32 million has been recognised in the profit or loss (2020: Nil). Also refer to note 12.
- vi) During previous year, properties amounting to AED 2.6 million had been transferred from properties held for sale to property, plant and equipment based on change in their use. Also refer to note 10.
- vii) In the current year, management has performed an assessment of the net realisable value of the properties held for development and sale on the basis of fair valuation provided by valuers and accordingly reversed the previously recorded allowance for write-down for properties held for development and sale amounting to AED 8.3 million (2020: AED 218.6 million) as at the reporting date. Also refer to note 12(i).
- viii) Also refer to note 25.

12 Investment properties

	2021 AED	2020 AED
At 1 January	409,532,195	418,475,490
Additions during the year	30,195,283	19,236,216
Transfer from properties held for development and sale (refer to note 11(v))	63,606,606	-
Gain on remeasurement on transfer from properties held for development and sale	31,983,394	-
Change in fair value	36,481,762	(28,179,511)
	-----	-----
At 31 December	571,799,240	409,532,195
	=====	=====

During the year, lease income of AED 3.5 million has been recognised by the Group (2020: Nil).

As at the reporting date, investment properties include property under construction amounting to AED 429.4 million (2020: AED 409.5 million).

Investment properties are recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

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

12 Investment properties (continued)

i) Valuation processes

The Group's properties, classified as properties held for development and sale, investment properties and property, plant and equipment (land and building), are valued by professional qualified valuer who hold a recognised relevant professional qualification and have experience in the locations and segments of the properties valued. For all investment properties, their current use equates to the highest and best use.

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors (óRICSô). The valuation was determined using the indicative fair values of the properties as at 31 December 2021 and 2020 provided by the valuer. The valuer has used residual method using the comparable and investment methods to determine the fair values of these assets.

The fair value of the properties has been determined by taking into account the gross development value when completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs. Further adjustments are applied in terms of the various characteristics of the property.

The fair value measurement of the properties has been categorised as Level 3 based on the inputs to the valuation technique used. The significant unobservable inputs used in the fair value measurement of investment properties are:

- € Expected rental value of AED 40 to AED 209 per square feet per annum (2020: AED 60 to AED 160 per square feet per annum)
- € Equivalent yield of 7.5% to 8% (2020: 7.75% to 8.25%)
- € Estimates sales price of AED 675 to AED 1,000 (2020: AED 625 to AED 975)
- € Discount rate of 5.5% to 6.5% (2020: 5.5% to 6.5%)

Any significant movement in the assumptions used for the fair valuation of investment properties would result in significantly lower / higher fair value of those assets.

Investment properties amounting to AED 46.7 million (2020: Nil) are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20). Also refer to notes 10, 11 and 25.

13 Right-of-use assets

Building	2021	2020
	AED	AED
Cost		
At 1 January	14,450,924	12,213,590
Additions for the year	35,988,221	2,237,334
	-----	-----
At 31 December	50,439,145	14,450,924
	-----	-----
Accumulated depreciation		
At 1 January	4,687,871	2,064,269
Charge for the year (refer to note 7)	4,763,301	2,623,602
	-----	-----
At 31 December	9,451,172	4,687,871
	-----	-----
Net book value		
At 31 December	40,987,973	9,763,053
	=====	=====

14 Investment in an equity accounted investee

	2021 AED	2020 AED
Nextgen Robopark Investment L.L.C	25,511,464 =====	23,611,538 =====

Nextgen Robopark Investment L.L.C (óthe Joint Ventureô) is a limited liability company incorporated in Dubai, United Arab Emirates. The principal activities of the Joint Venture mainly include investment in commercial enterprises and management.

The details of the equity accounted investee of the Group as at the reporting date as follows:

	2021 AED	2020 AED
At 1 January	23,611,538	-
Investments made during the year	-	5,581,019
Share of results for the year	1,899,926	18,030,519
	-----	-----
At 31 December	25,511,464 =====	23,611,538 =====

The following table summarises the financial information of the Joint Venture as included in its financial statements. The table also reconciles the summarised financial information relating to the carrying amount of the Group's interest in the Joint Venture.

	2021 AED	2020 AED
Percentage ownership interest	25%	25%
<i>Summarised statement of financial position</i>		
Non-current assets	315,264,039	242,473,276
Current assets (including cash and cash equivalents ñ 2021: AED 17.3 million, 2020: AED 22.3 million)	18,560,720	28,114,499
Non-current liabilities (including non-current financial liabilities excluding trade and other payables and provisions ñ 2021: AED 203.7 million, 2020: AED 158.1 million)	(203,715,975)	(158,115,519)
Current liabilities (including current financial liabilities excluding trade and other payables and provisions ñ 2021: AED 11.4 million, 2020: AED 9.3 million)	(33,100,244)	(31,455,422)
	-----	-----
Net assets (100%)	97,008,540	81,016,834
	-----	-----
Group's share of net assets	25,511,464 =====	23,611,538 =====
<i>Summarised statement of profit or loss and comprehensive income</i>		
Revenue	71,314,198	74,544,027
Profit for the year	7,599,706	8,174,432
Depreciation and amortisation	2,715	2,432
	=====	=====
Group's share of results	1,899,926 =====	2,043,608 =====

15 Trade, contract and other receivables

	2021 AED	2020 AED
Trade and unbilled receivables (refer note (i) below)	618,507,981	822,052,548
Less: allowance for impairment (refer note (ii) below)	(2,034,516)	(2,034,516)
	-----	-----
	616,473,465	820,018,032
Deferred expenses (refer note (iii) below)	131,873,829	82,158,966
Advances to suppliers	127,712,710	50,334,361
Unit registration and other charges receivable	35,208,752	-
Value added tax receivable	24,031,314	19,672,992
Prepayments	14,261,217	4,823,682
Deposits	9,482,264	7,887,074
Others	20,824,147	93,749
	-----	-----
	979,867,698	984,988,856
	=====	=====
Current	939,926,308	948,184,355
Non-current	39,941,390	36,804,501
	-----	-----
	979,867,698	984,988,856
	=====	=====

i) Trade receivables and contract assets

	2021 AED	2020 AED
Trade receivables		
Amounts receivable within 12 months	333,580,443	432,206,762
Contract assets		
Unbilled receivables within 12 months	284,927,538	276,216,410
Unbilled receivables after 12 months	-	113,629,376
	-----	-----
Total trade receivables and contract assets	618,507,981	822,052,548
	=====	=====

Contract balances

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. Contract liabilities primarily relate to the advance consideration received from customers for sale of properties. The contract assets become trade receivables when the rights become unconditional. The contract liabilities primarily relates to advance consideration received from customers for contracts, for which revenue is recognised on satisfaction of performance obligation.

The following table provides information about contract assets and contract liabilities from contracts with customers.

	2021 AED	2020 AED
Contract assets (included in trade and unbilled receivables)	284,927,538	389,845,786
Contract liabilities (advances from customers) (refer to note 23)	567,497,794	761,781,947
	=====	=====

15 Trade, contract and other receivables (continued)

i) Trade receivables and contract assets (continued)

Contract balances (continued)

Significant changes in the contract balances during the year are as follows:

	Contract assets AED	Contract liabilities AED
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	(551,057,573)
Increases due to cash received, excluding amounts recognised as revenue during the year	-	356,773,420
Transfers from contract assets recognised at the beginning of the period to receivables	(360,616,357)	-
Increases as a result of changes in the measure of progress	255,698,109	-
	=====	=====

The ageing analysis of trade and unbilled receivables is as follows:

	2021 AED	2020 AED
Not past due	316,184,581	401,883,704
Past due 0 ñ 90 days	223,893,139	74,133,479
Past due 91 ñ 180 days	7,642,707	68,749,727
Past due more than 180 days	70,787,554	277,285,638
	-----	-----
Gross receivable	618,507,981	822,052,548
	=====	=====

ii) Allowance for impairment

Movements of the Group's allowance for impairment of trade receivables are as follows:

	2021 AED	2020 AED
At 1 January	2,034,516	680,602
Allowance for impairment	-	1,353,914
	-----	-----
At 31 December	2,034,516	2,034,516
	=====	=====

During the year, an amount of AED 16.9 million (2020: Nil) from trade receivable was written off as an expense and recorded in profit or loss. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold and post-dated cheques as security.

iii) This represents sales commission paid to agents and sales staff, which will be recognised over the period of time when benefits relating to the transactions will flow to the Group in proportion to the recognition of revenue.

16 Related party transactions and balances

(a) Related party transactions

The Group enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The transactions between related parties are carried out at mutually agreed terms which are agreed between the management of the Group and the management of the respective related party.

The significant transactions entered into by the Group with related parties, other than those disclosed elsewhere in these consolidated financial statements, are as follows:

	2021 AED	2020 AED
Shareholders		
Payments made by the Company on behalf of the shareholders - net	3,118,313	91,523,508
Affiliates		
Purchase of land for future development and sale	690,000,000	-
Construction cost of properties held for development and sale	34,031,742	42,404,384
Amortization of non-current balance of due to related party (refer to note 9(a))	21,773,503	-
Design consultancy service fees	10,762,297	16,979,951
Sale of property, plant and equipment	6,943,289	-
Expenses incurred by related parties/Company on behalf of the Group/related parties	6,108,604	3,539,206
Purchase of property, plant and equipment	-	455,500
Interest income from loan to a related party (refer to note 9(b))	821,744	273,161
Loan given to a related party	263,803	6,620,890
Pre-operating expenses paid on behalf of a related party	-	1,047,970
Other income from related party	332,279	817,728
	=====	=====

Compensation to key management personnel is as follows:

	2021 AED	2020 AED
Salaries and other employee benefits	6,893,885	6,083,135
Post-employment benefits	511,452	641,322
	=====	=====

(b) Due from related parties

Affiliates		
Raimondi Group LLC	7,471,029	10,593,399
Klampfer Middle East LLC	3,706,438	5,843,197
KBW Investments LLC	65,196	23,380,096
Arcadia Middle East LLC	-	4,585,693
Others	167,772	1,227,060
	-----	-----
	11,410,435	45,629,445
	=====	=====

16 Related party transactions and balances (continued)

(c) Due to related parties

	2021 AED	2020 AED
<i>Affiliates</i>		
Tilal Properties LLC (refer to note (i) below)	686,821,514	-
Arcadia Middle East LLC	2,616,906	5,807,203
Arada Association Administrative Supervision	574,823	-
Klampfer Middle East LLC	-	9,835,865
Others	896,916	272,502
<i>Joint ventures</i>		
Nextgen Robopark Investment L.L.C	320,488	2,140,426
	-----	-----
	691,230,647	18,055,996
Less: present value impact on long term payable	(177,338,063)	-
Less: non-current portion	(498,695,242)	-
	-----	-----
	15,197,342	18,055,996
	=====	=====

- i) This represents the amount payable against the purchase of land amounting to AED 690 million net off payment made during the year. As per the sales purchase agreement, the amount is payable over a period of 10 years.

(d) Due from shareholders

	2021 AED	2020 AED
CORP KBW Investments LLC	113,149,341	-
Basma Group LLC	77,511,770	77,511,770
H.R.H. Khalid Bin Alwaleed Bin Talal	-	116,267,654
	-----	-----
	190,661,111	193,779,424
	=====	=====

16 Related party transactions and balances (continued)

(e) Loan to a related party

	2021 AED	2020 AED
Nextgen Robopark Investment L.L.C	6,884,693	6,620,890
	=====	=====

The loan to a related party is non-current, interest bearing and considered to be fully recoverable by the management. Interest rates on the loan to a related party is at normal commercial terms.

17 Cash and cash equivalents

	2021 AED	2020 AED
Cash in hand	1,982,401	981,594
Cash at banks	468,310,086	54,378,663
	-----	-----
Cash and cash equivalents in the statement of financial position	470,292,487	55,360,257
Bank overdrafts (refer to note 20)	(19,999,331)	(5,092,373)
	-----	-----
Cash and cash equivalents in the statement of cash flows	450,293,156	50,267,884
	=====	=====

Cash at banks includes balance of AED 109.8 million (2020: AED 23.3 million) held in escrow accounts relating to advance collected from customers which is available for payments relating to construction of properties held for development and sale.

18 Equity

	2021 AED	2020 AED
a) Share capital		
<i>Authorised, issued and paid up share capital</i>		
200,000 shares of AED 1,000 each	200,000,000	200,000,000
	=====	=====
Movement of share capital is as follows:		
At 1 January	200,000,000	300,000
Addition by way of transfer from shareholders' contribution (refer to note (c) below)	-	187,101,656
Addition by way of transfer from retained earnings	-	12,598,344
	-----	-----
At 31 December	200,000,000	200,000,000
	=====	=====

b) Legal reserve

In accordance with Article 103 of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company and entities in the Group, a minimum of 10% of the net profit of the Company and entities in the Group is allocated every year to a legal reserve, which is not distributable. Such allocation may cease if the total reserve reaches 50% of the Company and entities in the Group's paid up capital.

c) Shareholders' contribution

During previous year, the shareholders passed a resolution to transfer the shareholders' contribution amounting to AED 187,101,656 to the share capital. Shareholders' contribution represented non-reciprocal capital contribution made during 2017 by the shareholders by way of taking up a liability against plots of land purchased by the Company amounting to AED 187,101,656.

19 Payable to the Government of Sharjah

	2021 AED	2020 AED
At 1 January	2,092,958,100	2,011,041,396
Payments made during the year	(17,325,608)	(20,282,941)
Amortisation of payable balance (refer to note 9(a))	101,130,197	102,199,645
	-----	-----
At 31 December	2,176,762,689	2,092,958,100
Current	(59,557,590)	(31,237,724)
	-----	-----
Non-current	2,117,205,099	2,061,720,376
	=====	=====

This represents the amount payable against the purchase of land from the Government of Sharjah in 2017 amounting to AED 2,800 million (refer to note 11) net off payment of AED 1,000 million. As per the initial agreement the amount was payable in three equal annual instalments from 21 December 2018.

During 2018, the Group signed a restructuring agreement, pursuant to which the remaining amount after December 2019 instalment was payable in four equal annual instalments starting from December 2019.

During 2019, the Group signed additional restructuring agreement with the Government of Sharjah. Accordingly, the Government of Sharjah provided a loan of AED 1,600 million to the Group which was used to settle the existing bank liability with one of the banks. The revised balance including original purchase consideration payable to the Government of Sharjah agreed was AED 3,200 million which included AED 400 million as finance cost. The repayment was restructured into two equal parts of AED 1,600 million, where each part had distinct repayment mechanism. First part amounting to AED 1,600 million is payable as a bullet payment in 2029 and the remaining AED 1,600 million is payable over a period of 16 years based on the achievement of agreed off- plan sales.

20 Borrowings

	2021 AED	2020 AED
Non-current		
Bank borrowings	484,234,062	183,666,975
	-----	-----
Current		
Bank borrowings	415,858,976	190,552,311
Bank overdrafts	19,999,331	5,092,373
	-----	-----
	435,858,307	195,644,684
	-----	-----
Total borrowings	920,092,369	379,311,659
	=====	=====

Movement in bank borrowings are as follows:

At 1 January	379,311,659	210,450,900
Borrowings obtained during the year	748,442,955	217,887,907
Borrowings repaid during the year	(222,569,203)	(54,119,520)
	-----	-----
	905,185,411	374,219,287
Bank overdrafts	14,906,958	5,092,372
	-----	-----
At 31 December	920,092,369	379,311,659
	=====	=====

During the year, the Group recorded a finance cost of AED 31.2 million (2020: AED 14.1 million) on its borrowing out of which AED 2.7 million (2020: AED 0.6 million) is payable as at the reporting date. Also refer to note 24(i).

Islamic finance obligations carry market prevailing profit rates ranging from 3.10% to 5% (2020: 3.35% to 5%) and are repayable in monthly/quarterly instalments over a period of one to nine years from the reporting date (2020: one to two years).

Islamic finance obligations are secured by mortgages over properties classified under properties held for development and sale, property, plant and equipment and investment properties. Refer to notes 10, 11 and 12.

Bank facilities are secured by the following:

- First degree mortgage over part of identified blocks of land;
- Assignment of receivables on sales of certain projects amounting to AED 272.6 million (2020: AED 598.3 million);
- Assignment over project insurances and performance bonds;
- Assignment of certain project revenues in favour lender banks;
- Significant portion of existing and future post-dated cheques for the off-plan sales from the project to be warehoused with the respective lender banks;
- Pledge over project escrow account which will be used to collect all the sales proceeds from the customers;
- Not to vary the commercial terms of the SPAs and payment plans without prior approval from the bank;

20 Borrowings (continued)

- (h) Assignment of advance payment guarantees and performance guarantees from the Group in favour of the respective lender banks; and
- (i) Assignment of property related all risk insurance for the phase 2 school building located on Plot No. 19/3288, Muwaileh Commercial area, Sharjah, UAE, in favour of one of the lender bank.

The Group is further required to comply with the following financial covenants:

- i) A maximum finance to value ratio capped at 70%;
- ii) 50% of the profits to be retained until leverages falls below 2 times;
- iii) Maintain net worth at minimum level of AED 450 million at all time; and
- iv) Minimum facility service cover ratio ("FSCR") to be 1.20 times calculated quarterly.

21 Lease liabilities

	2021 AED	2020 AED
Current	3,737,132	2,443,648
Non-current	40,521,539	7,505,899
	-----	-----
	44,258,671	9,949,547
	=====	=====

The movement in lease liabilities is as follows:

At 1 January	9,949,547	10,227,082
Additions	35,973,221	2,237,334
Interest on lease liabilities charged to the profit or loss (refer to note 9(a))	1,608,320	584,395
Lease payments	(3,272,417)	(3,099,264)
	-----	-----
At 31 December	44,258,671	9,949,547
	=====	=====

22 Employees' end of service benefits

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

	2021 AED	2020 AED
At 1 January	4,597,220	2,672,795
Provision made during the year	2,424,680	2,645,691
Payments made during the year	(415,600)	(721,266)
	-----	-----
At 31 December	6,606,300	4,597,220
	=====	=====

23 Advances from customers

Advances from customers represent instalments received from customers towards sales of properties held for development and sale. Also refer to note 15(i).

24 Trade and other payables

	2021 AED	2020 AED
Trade payables	199,518,816	126,853,746
Retention payables	144,214,670	110,774,802
Project cost accruals and provision	194,006,195	134,544,919
Other payables and accrued expenses (refer to note (i) below)	53,583,744	57,877,030
	-----	-----
	591,323,425	430,050,497
Non-current retention payables	(69,444,884)	(40,819,814)
	-----	-----
Current portion	521,878,541	389,230,683
	=====	=====

- i) This includes accrued finance cost of AED 2.7 million (2020: AED 0.6 million) relating to the bank borrowings as at the reporting date. Also refer to note 20.

25 Commitments

As at 31 December 2021, the Group has total commitments of AED 1,169.5 million (2020: AED 853.8 million) with respect to under construction properties classified under property, plant and equipment, properties held for development and sale and investment properties. These commitments represent the value of contracts issued as at the reporting date net of invoices received and accruals made at that date. These commitments are expected to be settled within the duration of the projects or as agreed with respective parties.

26 Contingent liabilities

As at 31 December 2021, the Group has contingent liabilities in respect of performance guarantees amounting to AED 5.9 million (2020: AED 5.9 million). However, certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any significant cash outflows for the Group.

27 Financial risk management

Financial assets and financial liabilities of the Group and related accounting policies are set out in note 3.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021 AED	2020 AED
Trade and other receivables (excluding prepayments, deferred expenses, value added tax receivable, accrued income and advances)	681,988,628	827,998,855
Loan to a related party	6,884,693	6,620,890
Due from shareholders	190,661,111	193,779,424
Due from related parties	11,410,435	45,629,445
Cash at banks	468,310,086	54,378,663
	-----	-----
	1,359,254,953	1,128,407,277
	=====	=====

The balances receivables from related parties and shareholder are current, unimpaired and considered to be fully recoverable by the management.

27 Financial risk management (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

		Contractual cash flows			
	Carrying amount AED	Total AED	Less than one year AED	One to five years AED	More than five years AED
31 December 2021					
Financial liabilities					
Trade and other payables	591,323,425	(591,323,425)	(521,878,541)	(69,444,884)	-
Lease liabilities	44,258,671	(55,160,043)	(5,497,657)	(23,846,869)	(25,815,517)
Borrowings	920,092,369	(989,287,722)	(466,261,676)	(464,370,364)	(58,655,682)
Payable to the Government of Sharjah	2,176,762,689	(3,162,391,450)	(59,557,590)	(378,578,849)	(2,724,255,011)
Due to related parties	513,892,584	(691,230,646)	(15,197,341)	(283,143,172)	(392,890,133)
	<u>4,246,329,738</u>	<u>(5,489,393,286)</u>	<u>(1,068,392,805)</u>	<u>(1,219,384,138)</u>	<u>(3,201,616,343)</u>
	=====	=====	=====	=====	=====
31 December 2020					
Financial liabilities					
Trade and other payables	430,050,497	(430,050,497)	(389,230,683)	(40,819,814)	-
Lease liability	9,949,547	(11,175,145)	(2,883,611)	(8,291,534)	-
Borrowings	379,311,659	(422,154,147)	(215,094,720)	(207,059,427)	-
Payable to the Government of Sharjah	2,092,958,100	(3,179,717,059)	(33,902,146)	(431,739,919)	(2,714,074,994)
Due to related parties	18,055,996	(18,055,996)	(18,055,996)	-	-
	<u>2,930,325,799</u>	<u>(4,061,152,844)</u>	<u>(659,167,156)</u>	<u>(687,910,694)</u>	<u>(2,714,074,994)</u>
	=====	=====	=====	=====	=====

Interest rate risk

The Group's exposure to interest rate risk relates to its bank borrowings and loan to a related party. At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2021 AED	2020 AED
Variable rate instruments		
Borrowings	(920,092,369)	(379,311,659)
Loan to a related party	6,884,693	6,620,890
	=====	=====

Sensitivity analysis for variable rate instruments

A change by 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	Increase AED	Decrease AED
At 31 December 2021		
Variable rate instruments	9,132,077	(9,132,077)
	=====	=====
At 31 December 2020		
Variable rate instruments	3,726,908	(3,726,908)
	=====	=====

Fair values

The carrying amount of the Group's financial instruments approximate their fair values at the reporting date.

28 Subsidiaries and equity accounted investee entities

The Company has the following significant subsidiaries, joint venture and branches:

Name Subsidiaries	Status	Country of incorporation	Ownership	
			2021	2020
Aljada Developments LLC	Limited Liability Company	UAE	100%	100%
Arada Properties LLC	Limited Liability Company	Kingdom of Saudi Arabia	90%	90%
Arada Khadamat LLC	Limited Liability Company	UAE	100%	100%
Wellfit Mind & Body LLC	Limited Liability Company	UAE	100%	100%
Masaar Developments LLC	Limited Liability Company	UAE	100%	100%
Arada Education LLC	Limited Liability Company	UAE	100%	-
Aljada Sewage Treatments FZE	Free Zone Establishment	UAE	100%	-
Arada Association Administrative Supervision LLC	Limited Liability Company	UAE	100%	-
Joint Venture				
Nextgen Robopark Investment LLC	Limited Liability Company	UAE	25%	25%
Branches				
Arada Developments LLC ñ Dubai	Branch	UAE	Not applicable	
Arada Developments LLC ñ Abu Dhabi	Branch	UAE	Not applicable	

29 Non-controlling interest

The following table summarises the information relating to the Company's subsidiary that has non-controlling interest, before any intra-group eliminations.

	2021	2020
	AED	AED
Arada Properties LLC (Non-controlling interest ñ 10%)		
Non-current assets	2,034,381	577,629
Current assets	1,315,880	3,304,472
Current liabilities	(4,726,118)	(4,821,733)
Net liabilities	(1,375,857)	(939,632)
Net liabilities attributable to non-controlling interest	(137,586)	(93,963)
Loss for the year	(436,225)	(695,344)
Other comprehensive income for the year	-	-
Loss allocated to non-controlling interest	(43,623)	(69,534)
Other comprehensive income allocated to non-controlling interest	-	-

30 Dividend

During the year, the Company has declared and paid a dividend of AED 210 million (AED 1,050 per share) (2020: Nil).

31 Accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) *Useful lives and depreciation of property, plant and equipment*

Management periodically reviews estimated useful lives and depreciation method to ensure that the methods and year of depreciation are consistent with the expected pattern of economic benefits from these assets.

ii) *Impairment loss on receivables*

The recognition of expected credit losses (ECL) requires considerable judgement in determining average loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the profit or loss in that period.

iii) *Write down of properties held for development and sale*

The Group reviews the properties held for development and sale to assess write down, if there is an indication of write down. The Group uses valuations carried out by an independent external valuer and market sales data to ascertain the net realisable value.

iv) *Valuation of investment properties*

The Group follows the fair value model under IAS 40 where investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer.

Fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

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

v) *Revenue from contracts with customers*

The application of revenue recognition policy in accordance with IFRS 15 requires management to make the following judgements:

31 Accounting estimates and judgements (continued)

v) Revenue from contracts with customers (continued)

Satisfaction of performance obligation

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time and in other cases, revenue is recognised at a point in time.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of design and consultancy, construction, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

32 Investment in shares

During the current year, the Group has invested in shares of Arada Education LLC, a limited liability company, Arada Association Administrative Supervision LLC, a limited liability company, and Aljada Sewage Treatment FZE, a Free Zone Establishment in United Arab Emirates (2020: invested in shares of Masaar Developments LLC, Arada Khadamat LLC, Wellfit Mind & Body LLC and Nextgen Robopark Investment LLC, limited liability companies in the United Arab Emirates). Also refer to note 28.

33 Update on Covid-19

The global outbreak of the Covid-19 virus has severely impacted business and economies worldwide. Covid-19 outbreak has been considered a Pandemic and continues to affect business model of our customers and their supply chain, which in turn impacts the business model. As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of economic impact as of now. Management of the Group is currently monitoring the situation and its impact the real estate industry and on the Group's operations and financial position. Market activity was impacted across all sectors, however, real estate market has noticed an improvement. While the effects of the outbreak is expected to have an adverse impact on profits and operating cash flows, management will continuously monitor the impact on properties valuations and liquidity position of the Group.

Arada Developments LLC
and its subsidiaries

Consolidated financial statements

31 December 2020



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Independent Auditors' Report

To the Shareholders of Arada Developments LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arada Developments LLC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

Emphasis of Matter – Estimation Uncertainty related to the valuation of properties

We draw attention to Note 30(vi) of the consolidated financial statements, which describes the estimation uncertainty in the assessment of valuation of the properties due to impact of Covid-19 pandemic. Our opinion is not modified in respect of this matter.



Other Information

Management is responsible for the other information. The other information comprises the Annual report which is set out on pages 1 to 36.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' 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.



Auditors' 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.

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



Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the consolidated financial information included in the Annual report is consistent with the books of account of the Group;
- v) as disclosed in note 31 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2020;
- vi) note 16 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- 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 Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2020.

KPMG Lower Gulf Limited – SHJ BR

Emilio Pera
Registration No.: 1146
Sharjah, United Arab Emirates
Date: **30 AUG 2021**

Arada Developments LLC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

	Note	2020 AED	2019 AED
Revenue	5	1,113,326,829	549,693,448
Direct cost	6	(831,956,409)	(414,835,008)
Gross profit		281,370,420	134,858,440
Other income		7,372,253	4,376,963
General and administrative expenses	7	(74,076,115)	(60,437,045)
Sales and marketing expenses	8	(78,299,320)	(53,764,422)
Gain on remeasurement of development properties on transfer to investment properties	11	-	2,089,911
Change in fair value of investment properties	12	(28,179,511)	43,461,656
Reversal of / (allowance for) write-down of properties held for development and sale	11(iv)	218,602,547	(226,929,695)
Reversal of / (allowance for) impairment of property, plant and equipment	10(i)	2,513,194	(16,306,693)
Impairment recognised on trade receivables and contract assets	15(ii)	(1,353,914)	(524,991)
Share of results from an equity accounted investee	14	18,030,519	-
Finance cost	9(a)	(122,541,376)	(171,111,599)
Finance income	9(b)	273,161	699,740,401
Profit for the year		223,711,858	355,452,926
Other comprehensive income		-	-
Total comprehensive income for the year		223,711,858	355,452,926
Attributable to:			
Owners of the Company		223,781,392	355,487,155
Non-controlling interest	29	(69,534)	(34,229)
Total comprehensive income for the year		223,711,858	355,452,926

The notes on pages 45 to 81 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 37 to 40.

Arada Developments LLC and its subsidiaries

Consolidated statement of financial position

As at 31 December 2020

	Note	2020 AED	2019 AED
Assets			
Non-current assets			
Property, plant and equipment	10	145,582,245	69,524,276
Properties held for development and sale	11	1,822,925,031	1,797,353,529
Investment properties	12	409,532,195	418,475,490
Right of use assets	13	9,763,053	10,149,321
Investment in an equity accounted investee	14	23,611,538	-
Trade, contract and other receivables	15	36,804,501	-
Loan to a related party	16(e)	6,620,890	-
Total non-current assets		2,454,839,453	2,295,502,616
Current assets			
Properties held for development and sale	11	711,187,540	585,889,250
Trade, contract and other receivables	15	948,184,355	418,925,013
Due from related parties	16(b)	45,629,445	16,282,362
Due from shareholders	16(d)	193,779,424	102,255,916
Cash and cash equivalents	17	55,360,257	66,398,347
Total current assets		1,954,141,021	1,189,750,888
Total assets		4,408,980,474	3,485,253,504
Equity and liabilities			
Equity			
Share capital	18(a)	200,000,000	300,000
Shareholders' contribution	18(b)	-	187,101,656
Legal reserve	18(c)	14,457,801	150,000
Retained earnings		497,911,670	301,036,423
Attributable to owners of the Company		712,369,471	488,588,079
Non-controlling interest	29	(93,963)	(24,429)
Total equity		712,275,508	488,563,650
Liabilities			
Non-current liabilities			
Payable to the Government of Sharjah	19	2,061,720,376	1,991,500,438
Borrowings	20	183,666,975	210,450,900
Non-current retention payables	24	40,819,814	15,781,398
Lease liabilities	21	7,505,899	8,363,233
Employees' end of service benefits	22	4,597,220	2,672,795
Total non-current liabilities		2,298,310,284	2,228,768,764
Current liabilities			
Due to related parties	16(c)	18,055,996	420,746
Payable to the Government of Sharjah	19	31,237,724	19,540,958
Borrowings	20	195,644,684	-
Lease liabilities	21	2,443,648	1,863,849
Advances from customers	23	761,781,947	506,101,582
Trade and other payables	24	389,230,683	239,993,955
Total current liabilities		1,398,394,682	767,921,090
Total liabilities		3,696,704,966	2,996,689,854
Total equity and liabilities		4,408,980,474	3,485,253,504

These consolidated financial statements were authorized by the Board of Directors on 30-Aug-2021 and signed on their behalf by:

Director

Director

The notes on pages 45 to 81 form an integral part of these consolidated financial statements.
The independent auditors' report is set out on pages 37 to 40.

Arada Developments LLC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 AED	2019 AED
Operating activities			
Profit for the year		223,711,858	355,452,926
<i>Adjustment for:</i>			
Depreciation	10 and 13	12,210,294	8,639,047
Provision for employees' end of service benefits	22	2,645,691	1,929,251
Gain on remeasurement of development properties on transfer to investment properties	11	-	(2,089,911)
Change in fair value of investment properties	12	28,179,511	(43,461,656)
(Reversal of) / allowance for impairment of property, plant and equipment	10	(2,513,194)	16,306,693
Share of results from an equity accounted investee	14	(18,030,519)	-
(Reversal of) / allowance for write down of properties held for development and sale	11(iv)	(218,602,547)	226,929,695
Impairment of trade receivables and contract assets	15(ii)	1,353,914	524,991
Finance costs	9(a)	122,541,376	171,111,599
Finance income	9(b)	(273,161)	(699,740,401)
Operating profit before working capital changes		151,223,223	35,602,234
Changes in working capital			
Trade, contract and other receivables		(567,417,758)	(280,988,662)
Loan given to a related party		(6,620,890)	-
Due from related parties		(29,347,083)	(11,650,672)
Due from shareholders		(91,523,508)	(78,124,269)
Properties held for development and sale		65,156,463	(46,484,894)
Due to related parties		17,635,250	(33,008,820)
Trade and other payables		174,275,145	148,512,481
Advances from customers		255,680,365	262,240,876
Cash used in operating activities		(30,938,793)	(3,901,726)
Payments for employees' end of service benefits	22	(721,266)	(339,699)
Net cash used in operating activities		(31,660,059)	(4,241,425)
Investing activities			
Acquisition of property, plant and equipment	10	(80,555,175)	(26,086,146)
Acquisition of investment properties	11	(19,236,216)	(3,400,000)
Investment in an equity accounted investee	14	(5,581,019)	-
Finance income		273,161	-
Net cash used in investing activities		(105,099,249)	(29,486,146)
Financing activities			
Borrowings obtained during the year	20	217,887,907	231,031,695
Borrowings repaid during the year	20	(54,119,520)	(1,620,580,795)
Payable to the Government of Sharjah, net	19	(20,282,941)	1,595,000,000
Lease liabilities paid during the year	21	(3,099,264)	(2,240,582)
Finance costs	9(a)	(19,757,337)	(111,634,492)
Net cash generated from financing activities		120,628,845	91,575,826
Net (decrease)/ increase in cash and cash equivalents		(16,130,463)	57,848,255
Cash and cash equivalents at beginning of the year		66,398,347	8,550,092
Cash and cash equivalents at end of the year	17	50,267,884	66,398,347

The notes on pages 45 to 81 form an integral part of these consolidated financial statements
The independent auditors' report is set out on pages 37 to 40.

Arada Developments LLC and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Attributable to owners of the Company				Total AED	Non- controlling interest AED	Total AED
	Share capital AED	Shareholders' contribution AED	Legal reserve AED	(Accumulated losses)/ retained earnings AED			
At 1 January 2019	300,000	187,101,656	-	(54,300,732)	133,100,924	-	133,100,924
<i>Total comprehensive income for the year</i>							
Profit/ (loss) for the year	-	-	-	355,487,155	355,487,155	(34,229)	355,452,926
Total comprehensive income for the year	-	-	-	355,487,155	355,487,155	(34,229)	355,452,926
<i>Other equity movements</i>							
Transfer to legal reserve (refer to note 17(c))	-	-	150,000	(150,000)	-	-	-
Capital contribution by a non-controlling shareholder	-	-	-	-	-	9,800	9,800
At 31 December 2019	300,000	187,101,656	150,000	301,036,423	488,588,079	(24,429)	488,563,650
At 1 January 2020	300,000	187,101,656	150,000	301,036,423	488,588,079	(24,429)	488,563,650
<i>Total comprehensive income for the year</i>							
Profit/ (loss) for the year	-	-	-	223,781,392	223,781,392	(69,534)	223,711,858
Total comprehensive income for the year	-	-	-	223,781,392	223,781,392	(69,534)	223,711,858
<i>Other equity movements</i>							
Transfer to legal reserve (refer to note 18(c))	-	-	14,307,801	(14,307,801)	-	-	-
Transfer to share capital (refer to note 18)	199,700,000	(187,101,656)	-	(12,598,344)	-	-	-
At 31 December 2020	200,000,000	-	14,457,801	497,911,670	712,369,471	(93,963)	712,275,508

The notes on pages 45 to 81 form an integral part of these consolidated financial statements.

Arada Developments LLC and its subsidiaries

Notes

forming part of the consolidated financial statements

1 Legal status and principal activities

Arada Developments LLC ("the Company") is a limited liability company registered in Sharjah, United Arab Emirates ("UAE") in accordance with the UAE Federal Law No. (2) of 2015 and incorporated on 22 January 2017. The registered office of the Company is P.O Box 2680, Sharjah, UAE. The registered shareholding of the Company as at 31 December 2020 is as follows:

	2020		2019	
	No. of shares	Shareholding%	No. of shares	Shareholding%
H.R.H. Khalid Bin Alwaleed Bin Talal	120,000	60	60	60
Basma Group LLC	80,000	40	40	40

During the year, the Company has incorporated following new subsidiaries:

Name	Legal status	Country of incorporation	Ownership
Arada Khadamat LLC	Limited Liability Company	UAE	100%
Wellfit Mind & Body LLC	Limited Liability Company	UAE	100%

The principal activities of the Company and its subsidiaries (collectively referred to as "the Group") are carrying real estate enterprises investment, development, institution and management, facilities management and operating and managing fitness club.

These consolidated financial statements present the financial position, the results of the operations and cashflows of the Company and its subsidiaries for the year ended 31 December 2020.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and the requirements of UAE Federal Law No. (2) of 2015. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention basis except for investment properties which are stated at fair values.

2.3 Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham ("AED"), which is also the Group's functional currency.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 30.

2.5 New standards, amendments and interpretations not yet effective

Standards effective during the year

A number of new standards and amendments to IFRSs are effective for annual period beginning on or after 1 January 2020, and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to References to Conceptual Framework in IFRS Standards

- Definition of Material (Amendments to IAS 1 and IAS 8)
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Standards, amendments and interpretations issued but not yet effective

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

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Annual Improvements to IFRS Standards 2018–2020

These new and revised IFRSs are not expected to have a significant impact on the Group's consolidated financial statements.

3 Significant accounting policies

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.1 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and its branches as set out in note 28, which have been consolidated on a line-by-line basis.

(a) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt securities.

For transactions involving entities under common control, the carrying value of assets and liabilities at the date of the transaction are used to account for these transactions.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) Business combination is achieved in stages

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair values and any resulting gain or loss is recognised in profit or loss.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(d) Non-controlling interest ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(e) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(g) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in a joint venture.

The Group's interests in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when the Group transfers control over a product or service to a customer.

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

- Step 1 Identify the 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 the 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 service to a customer, excluding amounts collected on behalf of third parties.
- Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.2 Revenue recognition (continued)

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

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based 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.

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are initially recognised at cost less accumulated depreciation and accumulated impairment losses, if any except for land which is carried at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit or loss.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives of property, plant and equipment for the current is as follows:

	Useful life (years)
Building (sales centre)	50
Computers and office equipment	3
Furniture and fixtures	3
Construction equipment	3
Motor vehicles	3

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.4 Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using the fair value model under International Accounting Standard No. 40 "Investment Property". Any gain or loss arising from a change in fair value is recognised in the profit or loss.

Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

3.5 Properties held for development and sale

Land and buildings identified as held for sale, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct / operating costs. Net realisable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses.

The amount of any write down of properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in profit or loss in the period in which the increase occurs but only to the extent that the carrying value does not exceed the actual cost.

Transfer from properties held for sale to investment properties

Certain properties held for sale are transferred to investment properties when there is a change in use of the properties and those properties are either released for rental or for capital appreciation or both. The properties held for sale are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in profit or loss. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties. Any gain arising on this remeasurement is recognised in profit or loss on the specific property.

Transfer from properties held for sale to owner-occupied properties

If properties held for sale becomes owner-occupied property, it is reclassified as property, plant and equipment. Such transfers are made at the carrying value of the properties at the date of transfer.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.6 Leases

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.6 Leases (continued)

i. As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.7 Deferred expenses

Sales commission payable to the agents and sales staff at the time of sale of properties under development is recognised as deferred expenses. The future benefits relating to the sales commission will flow to the Group over the period of time when the revenue from sale of properties is recognised. If the sales contract is cancelled before the completion of the project, the related deferred cost will be expensed in the profit or loss.

3.8 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method and treated as an adjustment to the instruments effective interest rate.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

3.9 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.

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

3.10 Advances from customers

Instalments received from buyers, for properties sold or services performed, prior to meeting the revenue recognition criteria, are recognised as advances from customers. If their settlement, through revenue recognition or refund, is expected in one year or less, they are classified as current liabilities.

3.11 Financial instruments

(a) Classification and subsequent measurement of financial assets and financial liabilities

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset within the scope of the standard, are never separated. Instead, the hybrid financial instrument as a whole is assessed for its classification.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(a) *Classification and subsequent measurement of financial assets and financial liabilities (continued)*

Financial assets (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets and financial liabilities.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(b) *Impairment of financial assets*

IFRS 9 uses a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The impairment model will apply to financial assets measured at amortised cost, debt investments at FVOCI and contract assets, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade, contract and other receivables, due from related parties, due from shareholders and cash at banks.

The ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered as credit impaired, an amount equal to the default probability-weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments are classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Measurement of ECLs

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

3 Significant accounting policies (continued)

3.11 Financial instruments (continued)

(b) *Impairment of financial assets (continued)*

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(c) *Derecognition*

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.12 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets, other than inventories, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, are recognised in the profit or loss. They are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3.13 Foreign currency

Transactions denominated in foreign currencies are translated to the respective functional currency of the Group at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency difference arising on retranslation is recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are retranslated to the functional currency at the exchange rates at the date of transaction.

3.14 Employees' end of service benefits

The provision for staff terminal benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date and is calculated in accordance with the provisions of UAE Federal Labour Law. Management considers these as long-term obligations and accordingly they are classified as long-term liabilities.

3.15 Provisions

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

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

Arada Developments LLC and its subsidiaries

Notes (continued)

3 Significant accounting policies (continued)

3.15 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised as interest expense.

4 Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its trade and other receivables (excluding prepayments, deferred expenses, value added tax recoverable and advances), loan to a related party, amount due from shareholders, amount due from related parties and cash at banks. The amounts presented in the consolidated statement of financial position are net of allowances for impairment on receivables, if any. An allowance for impairment is made in accordance with 'expected credit loss' (ECL) model. This requires considerable judgment about how the changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The Group's exposure to credit risk is influenced mainly by individual characteristics of the customers; however, the Group is collecting advances from customers on periodical basis and the handover of properties to the customers will take place only after final settlement of all dues by them. Other receivables, amounts due from shareholders and related parties are considered fully recoverable by the management. The Group's cash is placed with banks of repute.

Arada Developments LLC and its subsidiaries

Notes *(continued)*

4 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, as they fall due, that are settled by delivering cash or another financial asset. Liquidity risk mainly relates to trade and other payables, amount due to related parties, lease liabilities, payable to the Government of Sharjah and bank borrowings. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has no significant exposure to currency risks as significant transactions entered into by the Group are in AED.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to its borrowings with floating interest rates.

Capital management

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to the shareholders, return on capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the year. Except for complying with certain provisions of the UAE Federal Law No. (2) of 2015, the Group is not subject to any externally imposed capital requirements.

Arada Developments LLC and its subsidiaries

Notes (continued)

5 Revenue

	2020 AED	2019 AED
Sale of properties	<u>1,113,326,829</u>	<u>549,693,448</u>

Revenue from sale of properties is recognised over a period of time.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future from existing contracts related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2021 AED	2022 AED	Total AED
Sale of properties	<u>301,376,605</u>	<u>13,784,335</u>	<u>315,160,940</u>

6 Direct cost

	2020 AED	2019 AED
Cost of properties sold (refer to note 11)	<u>831,956,409</u>	<u>414,835,008</u>

7 General and administrative expenses

	2020 AED	2019 AED
Employee related expenses	52,290,545	44,206,282
Depreciation (refer to notes 10 and 13)	12,210,294	8,639,047
Legal and professional expenses	1,110,778	649,701
Accounting and administration fees	627,663	742,115
Other expenses	7,836,835	6,199,900
	<u>74,076,115</u>	<u>60,437,045</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

8 Sales and marketing expenses

	2020 AED	2019 AED
Sales commission (refer to note 15(iii))	46,917,261	20,220,642
Advertisement expense	12,137,663	13,112,256
Registration expense	11,133,268	5,334,066
Public relation management expense	317,952	3,000,000
Event expenses	108,210	209,257
Project launch expenses	-	3,487,176
Other expenses	7,684,966	8,401,025
	<u>78,299,320</u>	<u>53,764,422</u>

9 Finance cost/ income

a) Finance cost

	2020 AED	2019 AED
Amortization of balance payable to the Government of Sharjah (refer to note 19)	102,199,645	58,931,657
Finance cost on bank borrowings	14,103,789	105,436,030
Guarantee charges	4,505,534	-
Bank charges	1,148,014	1,227,070
Interest expense on lease liabilities (refer to note 21)	584,394	545,450
Interest expense on a balance with a related party (refer to note 16)	-	4,971,392
	<u>122,541,376</u>	<u>171,111,599</u>

b) Finance income

	2020 AED	2019 AED
Interest income from loan to a related party (refer to note 16)	273,161	-
Gain on discounting of balance payable to the Government of Sharjah (refer to note 19)	-	699,740,401
	<u>273,161</u>	<u>699,740,401</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

10 Property, plant and equipment

	Land and Building AED	Computers and office equipment AED	Furniture and fixtures AED	Construction equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost							
At 1 January 2019	7,061,509	3,075,340	12,954,047	7,695,000	718,596	10,160,901	41,665,393
Additions	-	2,187,459	2,483,247	1,925,000	387,579	19,102,861	26,086,146
Transfer from properties held for development and sale (refer to notes 11(iii) and (i) below)	27,220,645	-	-	-	-	-	27,220,645
At 31 December 2019	34,282,154	5,262,799	15,437,294	9,620,000	1,106,175	29,263,762	94,972,184
At 1 January 2020	34,282,154	5,262,799	15,437,294	9,620,000	1,106,175	29,263,762	94,972,184
Additions	-	557,874	1,999,748	-	4,586,767	73,410,786	80,555,175
Transfer from properties held for development and sale (refer notes 11(iii) and (i) below)	2,576,292	-	-	-	-	-	2,576,292
Transfers from capital work in progress (refer note (ii) below)	96,682,721	-	629,106	-	-	(97,311,827)	-
At 31 December 2020	133,541,167	5,820,673	18,066,148	9,620,000	5,692,942	5,362,721	178,103,651
Accumulated depreciation and impairment							
At 1 January 2019	-	778,758	1,239,795	361,662	186,222	-	2,566,437
Charge for the year	-	1,353,747	4,592,514	325,448	303,069	-	6,574,778
Allowance for impairment (refer note (i) below)	16,306,693	-	-	-	-	-	16,306,693
At 31 December 2019	16,306,693	2,132,505	5,832,309	687,110	489,291	-	25,447,908
At 1 January 2020	16,306,693	2,132,505	5,832,309	687,110	489,291	-	25,447,908
Charge for the year	1,485,067	1,727,809	4,531,479	737,510	1,104,827	-	9,586,692
Allowance for impairment (refer note (i) below)	(2,513,194)	-	-	-	-	-	(2,513,194)
At 31 December 2020	15,278,566	3,860,314	10,363,788	1,424,620	1,594,118	-	32,521,406
Net book value							
At 31 December 2020	118,262,601	1,960,359	7,702,360	8,195,380	4,098,824	5,362,721	145,582,245
At 31 December 2019	17,975,461	3,130,294	9,604,985	8,932,890	616,884	29,263,762	69,524,276

- i) During the year, properties amounting to AED 2.6 million (2019: AED 27 million) was transferred from properties held for sale to property, plant and equipment based on change in their use (refer to note 11(iii)). A reversal of impairment of AED 2.5 million (2019: An allowance for impairment of AED 16.3 million) was recognised in relation to the property which was transferred from properties held for sale to property, plant and equipment.
- ii) During the year, upon completion of the construction of sales centre, which is intended to be used according to the Group's relevant business model, was transferred from capital work in-progress to buildings.

Arada Developments LLC and its subsidiaries

Notes (continued)

11 Properties held for development and sale

	2020			2019		
	Properties under construction AED	Properties held for future development and sale * AED	Total AED	Properties under construction AED	Properties held for future development and sale AED	Total AED
At 1 January	585,889,250	1,797,353,529	2,383,242,779	362,865,405	2,250,103,787	2,612,969,192
Additions during the year	650,429,549	116,370,397	766,799,946	400,648,502	60,671,401	461,319,903
Transfers	306,825,150	(306,825,150)	-	237,210,351	(237,210,351)	-
Transfer to property, plant and equipment (refer to note 10 and (iii) below)	-	(2,576,292)	(2,576,292)	-	(27,220,645)	(27,220,645)
Gain on remeasurement on transfer to investment properties (refer to note (ii) below)	-	-	-	-	2,089,911	2,089,911
Transfer to investment properties (refer to notes 12 and (ii) below)	-	-	-	-	(24,150,879)	(24,150,879)
Cost of properties sold (refer to note 6)	(831,956,409)	-	(831,956,409)	(414,835,008)	-	(414,835,008)
	711,187,540	1,604,322,484	2,315,510,024	585,889,250	2,024,283,224	2,610,172,474
Less: reversal of / (allowance for) write-down (refer to note (iv) below)	-	218,602,547	218,602,547	-	(226,929,695)	(226,929,695)
	711,187,540	1,822,925,031	2,534,112,571	585,889,250	1,797,353,529	2,383,242,779
Less: non-current	-	(1,822,925,031)	(1,822,925,031)	-	(1,797,353,529)	(1,797,353,529)
At 31 December	711,187,540	-	711,187,540	585,889,250	-	585,889,250

* Properties held for future development and sale represents plots of land where necessary infrastructure cost is incurred but construction has not commenced as at the reporting date.

Arada Developments LLC and its subsidiaries

Notes (continued)

11 Properties held for development and sale (continued)

- i) Properties held for development and sale amounting to AED 1,311.9 million (2019: AED 643.3 million) are mortgaged to banks against the Islamic credit facilities of the Group (refer to note 20).
- ii) In 2019, properties amounting to AED 24.1 million were transferred from properties held for development and sale to investment properties (refer to note 12) based on change in management's intended use of the properties. On account of the transfer, a gain on remeasurement amounting to AED 2.1 million had been recognised in the profit or loss.
- iii) During the current year, properties amounting to AED 2.6 million (2019: AED 27.2 million) have been transferred from properties held for sale to property, plant and equipment based on change in their use (refer to note 10).
- iv) In the current year, management has performed an assessment of the net realisable value of the properties held for development and sale on the basis of fair valuation provided by independent valuers and accordingly reversed the previously recorded provision for impairment for properties held for development and sale amounting to AED 218.6 million (2019: provision for AED 226.9 million) of as at the reporting date.
- v) Also refer to note 30(vi).

Arada Developments LLC and its subsidiaries

Notes (continued)

12 Investment properties

	2020 AED	2019 AED
At 1 January	418,475,490	347,462,955
Additions during the year	19,236,216	3,400,000
Transfer from properties held for development and sale (refer to note 11)	-	24,150,879
Change in fair value	(28,179,511)	43,461,656
At 31 December	409,532,195	418,475,490

Investment properties are under development and no rental income has been recognised by the Group during the year ended 31 December 2020 (2019: Nil).

During 2019, the Group has reclassified plot of land from properties held for development and sale to investment properties as a result of change in use of the plot of land.

Investment properties are recognised at fair value and categorised within the level of the fair value hierarchy based on the lowest level input that is significant to fair value measurement in their entirety. The different levels have been defined as follows:

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

Valuation processes

Plots of land included in the Group's investment properties are valued by professional independent qualified valuer who hold a recognised relevant professional qualification and have experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

Property valuations are carried out in accordance with the Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors ("RICS"). For the plots of land, the valuation was determined using the indicative fair values of these investment properties as at 31 December 2020 and 2019 provided by an independent valuer. The valuer has used residual method using the comparable and investment methods to determine the fair values of these assets.

The fair value of the properties has been determined by taking into account the gross development value when completed and deducting all the costs including construction costs, soft costs, developer's profit and finance costs. Further adjustments are applied in terms of the various characteristics of the property.

Also refer to note 30(vi).

Fair value hierarchy

The fair value measurement for the investment properties has been categorised as Level 3 based on the inputs to the valuation techniques used.

Arada Developments LLC and its subsidiaries

Notes (continued)

13 Right-of-use assets

The Group leases office space for a period of 7 years. Information about leases is presented below.

Building	2020 AED	2019 AED
Cost		
At 1 January	12,213,590	12,213,590
Additions	2,237,334	-
	<u>14,450,924</u>	<u>12,213,590</u>
Accumulated depreciation		
At 1 January	2,064,269	-
Depreciation charged in profit or loss (refer to note 7)	2,623,602	2,064,269
	<u>4,687,871</u>	<u>2,064,269</u>
Net book value		
At 31 December	<u>9,763,053</u>	<u>10,149,321</u>

14 Investment in an equity accounted investee

	2020 AED	2019 AED
Nextgen Robopark Investment L.L.C	<u>23,611,538</u>	<u>-</u>

Nextgen Robopark Investment L.L.C ("the Joint Venture") is a limited liability company incorporated in Dubai, United Arab Emirates. The principal activities of the Joint Venture are investment in commercial enterprises and management.

The details of the equity accounted investee of the Group as at the reporting date as follows:

	2020 AED	2019 AED
At 1 January	-	-
Investment made during the year	75,000	-
Additional investment made during the year	5,506,019	-
Share of results for the year	18,030,519	-
	<u>23,611,538</u>	<u>-</u>
At 31 December	<u>23,611,538</u>	<u>-</u>

- i) This include gain on net assets acquired by an associate during the year amounting to AED 15,986,911.

Arada Developments LLC and its subsidiaries

Notes (continued)

14 Investment in equity accounted investee (continued)

The following table summarises the financial information of the Joint Venture as included in its financial statements. The table also reconciles the summarised financial information relating to the carrying amount of the Group's interest in the Joint Venture.

	2020 AED	2019 AED
Percentage ownership interest	25%	-
<i>Summarised statement of financial position</i>		
Non-current assets	242,473,276	-
Current assets	42,389,430	-
Non-current liabilities	(158,115,519)	-
Current liabilities	(32,301,035)	-
Net assets (100%)	<u>94,446,152</u>	-
Group's share of net assets	<u>23,611,538</u>	-
<i>Summarised statement of profit or loss and comprehensive income</i>		
Revenue	74,544,027	-
Profit for the year	<u>8,174,432</u>	-
Group's share of results	<u>2,043,608</u>	-

15 Trade, contract and other receivables

	2020 AED	2019 AED
Trade and unbilled receivables (refer note (i) below)	822,052,548	274,999,413
Less: allowance for impairment (refer note (ii) below)	<u>(2,034,516)</u>	<u>(680,602)</u>
	820,018,032	274,318,811
Deferred expenses (refer note (iii) below)	82,158,966	68,401,246
Advances to suppliers	50,334,361	58,011,308
Value added tax receivable	19,672,992	7,398,543
Deposits	7,887,074	7,497,074
Prepayments	4,823,682	2,106,500
Arrangement fees paid for Ijarah	-	1,093,594
Others	93,749	97,937
	<u>984,988,856</u>	<u>418,925,013</u>
Current	948,184,355	418,925,013
Non-current	<u>36,804,501</u>	-
	<u>984,988,856</u>	<u>418,925,013</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

15 Trade, contract and other receivables (continued)

i) Trade receivables and contract assets

	2020 AED	2019 AED
Trade receivables		
Amounts receivable within 12 months	432,206,762	257,850,770
Contract assets		
Unbilled receivables within 12 months	276,216,410	14,729,032
Unbilled receivables after 12 months	113,629,376	2,419,611
Total trade receivables and contract assets	822,052,548	274,999,413

Contract balances

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. Contract liabilities primarily relate to the advance consideration received from customers for sale of properties. The contract assets become trade receivables when the rights become unconditional. The contract liabilities primarily relates to advance consideration received from customers for contracts, for which revenue is recognised on satisfaction of performance obligation.

The following table provides information about contract assets and contract liabilities from contracts with customers.

	2020 AED	2019 AED
Contract assets (included in trade and unbilled receivables)	389,845,786	17,148,643
Contract liabilities (advances from customers) (refer to note 23)	761,781,947	506,101,582

Significant changes in the contract balances during the year are as follows:

	Contract assets AED	Contract liabilities AED
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	(215,357,522)
Increases due to cash received, excluding amounts recognised as revenue during the year	-	471,037,887
Transfers from contract assets recognised at the beginning of the period to receivables	(17,148,643)	-
Increases as a result of changes in the measure of progress	389,845,786	-

The ageing analysis of trade and unbilled receivables is as follows:

	2020 AED	2019 AED
Not due	822,052,548	274,999,413
Past due 0 – 90 days	-	-
Past due 91 – 180 days	-	-
Past due more than 180 days	-	-
Gross receivable	822,052,548	274,999,413

Arada Developments LLC and its subsidiaries

Notes (continued)

15 Trade, contract and other receivables (continued)

ii) Allowance for impairment

Movements of the Group's allowance for impairment of trade receivables are as follows:

	2020 AED	2019 AED
At 1 January	680,602	155,611
Allowance for impairment	1,353,914	524,991
At 31 December	2,034,516	680,602

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group holds title deeds of the assets sold and post-dated cheques as security.

- iii) This represents sales commission paid to agents and sales staff, which will be recognised over the period of time when benefits relating to the transactions will flow to the Group.

16 Related party transactions and balances

(a) Related party transactions

The Group enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The transactions between related parties are carried out at mutually agreed terms which are agreed between the management of the Group and the management of the respective related party.

The significant transactions entered into by the Group with related parties, other than those disclosed elsewhere in these consolidated financial statements, are as follows:

	2020 AED	2019 AED
Expenses incurred on behalf of Shareholders	91,523,508	78,134,069
Construction cost of properties held for development and sale	42,404,384	37,546,568
Design consultancy service fees	16,979,951	1,649,287
Loan given to a related party	6,620,890	-
Expenses incurred by related parties/Company on behalf of the Group/related parties	3,539,206	13,253,609
Interest expense on a balance with related party (refer to note 9(a))	-	4,971,392
Pre-operating expenses paid on behalf of a related party	1,047,970	-
Interest income from loan to a related party (refer to note 9(b))	273,161	-
Purchase of property, plant and equipment	455,500	1,925,000
Other income from related party	817,728	-

Arada Developments LLC and its subsidiaries

Notes (continued)

16 Related party transactions and balances (continued)

Compensation to key management personnel is as follows:

	2020 AED	2019 AED
Salaries and other employee benefits	6,083,135	6,687,042
Post-employment benefits	641,322	169,535
	<u>6,724,457</u>	<u>6,856,577</u>
(b) Due from related parties		
	2020 AED	2019 AED
KBW Investments LLC	23,380,096	-
Raimondi Group LLC	10,593,399	4,649,137
Klampfer Middle East LLC	5,843,197	4,921,702
Arcadia Middle East LLC	4,585,693	6,701,723
Others	1,227,060	9,800
	<u>45,629,445</u>	<u>16,282,362</u>
(c) Due to related parties		
	2020 AED	2019 AED
Klampfer Middle East LLC	9,835,865	-
Arcadia Middle East LLC	5,807,203	420,746
Nextgen Robopark Investment L.L.C	2,140,426	-
Others	272,502	-
	<u>18,055,996</u>	<u>420,746</u>
(d) Due from shareholders		
	2020 AED	2019 AED
H.R.H. Khalid Bin Alwaleed Bin Talal	116,267,654	61,353,549
Basma Group LLC	77,511,770	40,902,367
	<u>193,779,424</u>	<u>102,255,916</u>
(e) Loan to a related party		
	2020 AED	2019 AED
Nextgen Robopark Investment L.L.C	6,620,890	-

The loan to a related party is non-current, interest bearing and considered to be fully recoverable by the management. Interest rates on the loan to a related party is 3 month LIBOR + 6.5% per annum.

Arada Developments LLC and its subsidiaries

Notes (continued)

17 Cash and cash equivalents

	2020 AED	2019 AED
Cash in hand	981,594	168,387
Cash at banks	54,378,663	66,229,960
	<u>55,360,257</u>	<u>66,398,347</u>
Bank overdrafts (refer to note 20)	(5,092,373)	-
Cash and cash equivalents	<u>50,267,884</u>	<u>66,398,347</u>

Cash at banks includes balance of AED 23.3 million (2019: AED 55.1 million) held in escrow accounts relating to advance collected from customers which are available for payments relating to construction of properties held for development and sale.

18 Equity

a) Share capital	2020 AED	2019 AED
<i>Authorised, issued and paid up share capital</i>		
200,000 shares of AED 1,000 each (2019: 100 shares of AED 3,000 each)	<u>200,000,000</u>	<u>300,000</u>
Movement of share capital is as follows:		
At 1 January	300,000	300,000
Addition by way of transfer from Shareholders' contribution (refer to note (b) below)	187,101,656	-
Addition by way of transfer from retained earnings	12,598,344	-
At 31 December	<u>200,000,000</u>	<u>2,672,795</u>

i) Also refer to note 32(b).

b) Shareholders' contribution

Shareholders' contribution represented non-reciprocal capital contribution made during 2017 by the Shareholders by way of taking up a liability against plots of land purchased by the Company amounting to AED 187,101,656. The Shareholders had confirmed that this balance will not be recalled or withdrawn from the Company during its tenure and that the Company had no contractual obligation towards the repayment of this amount. Accordingly, this amount had been classified as an equity instrument. During the year, the Shareholders passed a resolution to transfer the Shareholders' contribution amounting to AED 187,101,656 to the share capital.

c) Legal reserve

In accordance with Article 103 of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company and entities in the Group, a minimum of 10% of the net profit of the Company and entities in the Group's is allocated every year to a legal reserve, which is not distributable. Such allocation may cease if the total reserve reaches 50% of the Company and entities in the Group's paid up capital. Accordingly, during the year the Company transferred AED 14.3 million to legal reserve (2019: AED 150,000).

Arada Developments LLC and its subsidiaries

Notes (continued)

19 Payable to the Government of Sharjah

	2020 AED	2019 AED
At 1 January	2,011,041,396	1,056,850,140
Additions during the year	-	1,600,000,000
Payment made during the year	(20,282,941)	(5,000,000)
Less: present value impact on long-term payable (refer to note 9(b))	-	(699,740,401)
Add: amortisation of payable balance (refer to note 9(a))	102,199,645	58,931,657
	<u>2,092,958,100</u>	<u>2,011,041,396</u>
Less: current portion	(31,237,724)	(19,540,958)
At 31 December	<u>2,061,720,376</u>	<u>1,991,500,438</u>

This represents the amount payable against the purchase of land from the Government of Sharjah in 2017 amounting to AED 2,800 million (refer to note 11) net off payment of AED 1,000 million. As per the initial agreement the amount was payable in three equal annual instalments from 21 December 2019.

During 2018, the Group signed a restructuring agreement, pursuant to which the remaining amount after December 2019 instalment was payable in four equal annual instalments starting from December 2020.

During 2019, the Group signed additional restructuring agreement with the Government of Sharjah. Accordingly, the Government of Sharjah provided an additional amount of AED 1,600 million to the Group to settle the existing bank liability with one of the bank (refer to note 20). The revised purchase consideration payable to the Government of Sharjah agreed was AED 3,200 million which included AED 400 million as finance cost. The repayment was restructured into two equal parts of AED 1,600 million, where each part had distinct repayment mechanism. First part amounting to AED 1,600 million is payable as a bullet payment in 2029 and the remaining AED 1,600 million is payable over a period of 16 years based on the achievement of agreed off-sales plan.

Arada Developments LLC and its subsidiaries

Notes (continued)

20 Borrowings

	2020 AED	2019 AED
Non-current		
Long-term bank borrowings	183,666,975	210,450,900
Current		
Current portion of bank borrowings	190,552,311	-
Bank overdrafts	5,092,373	-
	195,644,684	-
Total borrowings	379,311,659	210,450,900

Movement in bank borrowings are as follows:

At 1 January	210,450,900	1,600,000,000
Borrowings obtained during the year	217,887,907	231,031,695
Borrowings repaid during the year	(54,119,520)	(1,620,580,795)
	374,219,287	210,450,900
Bank overdrafts (refer to note 17)	5,092,373	-
At 31 December	379,311,660	210,450,900

During 2019, the Group obtained AED 1,600 million from the Government of Sharjah and settled the bank borrowing AED 1,600 million obtained from Mashreq Bank (refer to note 19).

During 2019, the Group had obtained additional borrowings from Mashreq Bank amounting to AED 231 million to construct and develop properties.

During the year, the Group has obtained additional borrowings from Mashreq Bank and Dubai Islamic Bank amounting to AED 218 million to construct and develop properties.

Bank facilities are secured by the following:

- (a) First degree mortgage over part of identified blocks of land;
- (b) Assignment of receivables on sales of certain projects; and
- (c) Assignment over project insurances and performance bonds.

The Group is further required to comply with the following bank covenants:

- i) A maximum finance to value ratio of 70%;
- ii) Maintain net worth at minimum level at all time; and
- iii) Not to vary the commercial terms of the SPAs and payment plans without prior approval from the Bank.

Arada Developments LLC and its subsidiaries

Notes (continued)

21 Lease liabilities

	2020 AED	2019 AED
Current	2,443,648	1,863,849
Non-current	7,505,899	8,363,233
	<u>9,949,547</u>	<u>10,227,082</u>

The movement in lease liabilities is as follows:

At 1 January	10,227,082	11,922,214
Additions	2,237,334	-
Interest on lease liabilities charged to the profit or loss (refer to note 9(a))	584,395	545,450
Lease payments	(3,099,264)	(2,240,582)
At 31 December 2020	<u>9,949,547</u>	<u>10,227,082</u>

22 Employees' end of service benefits

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

	2020 AED	2019 AED
At 1 January	2,672,795	1,083,243
Charge for the year	2,645,691	1,929,251
Payments made during the year	(721,266)	(339,699)
At 31 December	<u>4,597,220</u>	<u>2,672,795</u>

23 Advances from customers

Advances from customers represent instalments received from customers towards sales of properties held for development and sale. Also refer to note 15 (i).

24 Trade and other payables

	2020 AED	2019 AED
Trade payables	126,853,746	82,337,304
Retention payables	110,774,802	41,790,623
Other payables and accrued expenses	192,421,949	131,647,426
	<u>430,050,497</u>	<u>255,775,353</u>
Non-current retention payables	(40,819,814)	(15,781,398)
	<u>389,230,683</u>	<u>239,993,955</u>

Arada Developments LLC and its subsidiaries

Notes (continued)

25 Commitments

As at 31 December 2020, the Group has total commitments of AED 853.8 million (2019: AED 971.6 million) with respect to project related contracts. These commitments represent the value of contracts issued as at the reporting date net of invoices received and accruals made at that date. These commitments are expected to be settled within the duration of the projects or as agreed with respective parties.

26 Contingent liabilities

As at 31 December 2020, the Group has contingent liabilities in respect of performance guarantees amounting to AED 5.9 million (2019: AED 5.9 million). However, certain other contingent liabilities may arise during the normal course of business, which based on the information presently available, either cannot be quantified at this stage or in the opinion of the management is without any merit. However, in the opinion of management, these contingent liabilities are not likely to result in any significant cash outflows for the Group.

27 Financial risk management

Financial assets and financial liabilities of the Group and related accounting policies are set out in note 3.

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2020 AED	2019 AED
Trade and other receivables (excluding prepayments, deferred expenses, value added tax receivable and advances)	827,998,855	281,913,822
Loan to a related party	6,620,890	-
Due from shareholders	193,779,424	102,255,916
Due from related parties	45,629,445	16,282,362
Cash at banks	54,378,663	66,229,960
	<u>1,128,407,277</u>	<u>466,682,060</u>

The amount due from related parties and shareholder is current, unimpaired and considered to be fully recoverable by the management.

Arada Developments LLC and its subsidiaries

Notes (continued)

27 Financial risk management (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	Carrying amount AED	Total AED	— Contractual cash flows — Less than one year AED	One to five years AED	More than five years AED
31 December 2020					
Financial liabilities					
Trade and other payables	430,050,497	(430,050,497)	(389,230,683)	(40,819,814)	-
Lease liabilities	9,949,547	(11,175,145)	(2,883,611)	(8,291,534)	-
Borrowings	379,311,660	(422,154,147)	(215,094,720)	(207,059,427)	-
Payable to the Government of Sharjah	2,092,958,100	(3,179,717,059)	(33,902,146)	(431,739,919)	(2,714,074,994)
Due to related parties	18,055,996	(18,055,996)	(18,055,996)	-	-
	<u>2,930,325,800</u>	<u>(4,061,152,844)</u>	<u>(659,167,156)</u>	<u>(687,910,694)</u>	<u>(2,714,074,994)</u>
31 December 2019					
Financial liabilities					
Trade and other payables	255,775,353	(255,775,353)	(255,775,353)	-	-
Lease liability	10,227,082	(11,507,461)	(2,323,566)	(9,183,895)	-
Borrowings	210,450,900	(221,412,361)	-	(221,412,361)	-
Payable to the Government of Sharjah	2,011,041,396	(3,200,000,000)	(20,282,941)	(250,333,783)	(2,929,383,276)
Due to related parties	420,746	(420,746)	(420,746)	-	-
	<u>2,487,915,477</u>	<u>(3,689,115,921)</u>	<u>(278,802,606)</u>	<u>(480,930,039)</u>	<u>(2,929,383,276)</u>

Interest rate risk

The Group's exposure to interest rate risk relates to its bank borrowings and loan to a related party.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2020 AED	2019 AED
Variable rate instruments		
Borrowings	(379,311,660)	(210,450,900)
Loan to a related party	<u>6,620,890</u>	<u>-</u>

Sensitivity analysis for variable rate instruments

A change by 1% in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss	
	Increase AED	Decrease AED
At 31 December 2020		
Variable rate instruments	<u>3,726,908</u>	<u>(3,726,908)</u>
At 31 December 2019		
Variable rate instruments	<u>2,104,509</u>	<u>(2,104,509)</u>

Fair values

The carrying amount of the Group's financial instruments approximate their fair values at the reporting date.

Arada Developments LLC and its subsidiaries

Notes (continued)

28 Subsidiaries and equity accounted investee entities

The Company has the following subsidiaries, joint venture and branches:

Name	Status	Country of incorporation	Ownership
Subsidiaries			
Aljada Developments LLC	Limited Liability Company	UAE	100%
Arada Properties LLC	Limited Liability Company	Kingdom of Saudi Arabia	90%
Arada Khadamat LLC	Limited Liability Company	UAE	100%
Wellfit Mind & Body LLC	Limited Liability Company	UAE	100%
Masaar Developments LLC *	Limited Liability Company	UAE	100%
Joint Venture			
Nextgen Robopark Investment LLC	Limited Liability Company	UAE	25%
Branches			
Arada Developments LLC – Dubai	Branch	UAE	Not applicable
Arada Developments LLC – Abu Dhabi	Branch	UAE	Not applicable

* As at reporting date, the subsidiary was in process of legal incorporation and did not commence its commercial operation.

29 Non-controlling interest

The following table summarises the information relating to the Company's subsidiary that has non-controlling interest, before any intra-group eliminations.

	2020 AED	2019 AED
Arada Properties LLC (Non-controlling interest – 10%)		
Non-current assets	577,629	156,752
Current assets	3,304,472	650,307
Non-current liabilities	-	-
Current liabilities	(4,821,733)	(1,051,347)
Net liabilities	(939,632)	(244,288)
Net liabilities attributable to non-controlling interest	(93,963)	(24,429)
Loss for the year	(695,344)	(342,288)
Other comprehensive income for the year	-	-
Loss allocated to non-controlling interest	(69,534)	(34,229)
Other comprehensive income allocated to non-controlling interest	-	-

Arada Developments LLC and its subsidiaries

Notes (continued)

30 Accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) *Useful lives and depreciation of property, plant and equipment*

Management periodically reviews estimated useful lives and depreciation method to ensure that the methods and year of depreciation are consistent with the expected pattern of economic benefits from these assets.

ii) *Infrastructure cost provision*

At each reporting date, the Group has to estimate the cost to be incurred for committed infrastructure works, based on work to be performed beyond the reporting date. Any change to these cost arising from changes in estimates is accounted for in the year when the changes become known.

iii) *Impairment loss on receivables*

The recognition of expected credit losses (ECL) requires considerable judgement in determining average loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Any difference between the amounts actually collected in a future period and the amounts expected, will be recognised in the profit or loss in that period.

iv) *Write down of properties held for development and sale*

The Group reviews the properties held for development and sale to assess write down, if there is an indication of write down. The Group uses valuations carried out by an independent external valuer and market sales data to ascertain the net realisable value.

v) *Valuation of investment properties*

The Group follows the fair value model under IAS 40 where investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer.

Fair values have been determined, where relevant, having regard to recent market transactions for similar properties in the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

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

Arada Developments LLC and its subsidiaries

Notes (continued)

30 Accounting estimates and judgements (continued)

vi) *Material uncertainty*

With the heightened degree of uncertainty resulting from the COVID-19 pandemic, there is increased difficulty in exercising professional judgements to determine fair values. Consequently, the valuation is subject to the material uncertainty which is consistent with the guidance issued by RICS Valuation Global Standards and is therefore reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the Standards. Consequently, less certainty - and a higher degree of caution - should be attached to the valuation than would normally be the case. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. The valuation of properties takes into account the level of pandemic, related economic impact, expected recovery including occupancy and earning levels of properties. As a result of the continued uncertainty, these assumptions may be revised significantly in 2021. Also refer to notes 11 and 12.

vii) *Revenue from contracts with customers*

The application of revenue recognition policy in accordance with IFRS 15 requires management to make the following judgements:

Satisfaction of performance obligation

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over time and in other cases, revenue is recognised at a point in time.

Determination of transaction prices

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

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

Arada Developments LLC and its subsidiaries

Notes (continued)

30 Accounting estimates and judgements (continued)

(vii) Revenue from contracts with customers (continued)

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of design and consultancy, construction, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

viii) Lease term

In determining the lease term and assessing the length of the non-cancellable period of a lease, the Group applies the definition of a contract to determine the period for which the contract is enforceable. A lease is no longer enforceable when the Group (lessee) and the lessor, both, has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

In determining the lease term where the enforceability of the option solely rests with the Group, the management considers all facts and circumstances that create an economic incentive to exercise the option. Extension/renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The following factors are most relevant:

- If there are significant penalties (contractual) to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)
- Group also considers other factors including current market conditions, historical impairments on related CGUs, business plans etc.

Where the option on the lease term rests with both the Group (lessee) and the lessor, the Group considers economic incentives when evaluating the enforceability rights.

ix) Incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease and hence uses its incremental borrowing rate to measure lease liabilities. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

31 Investment in shares

During the current year, the Group has invested in shares of newly incorporated entities, Arada Khadamat LLC, Wellfit Mind & Body LLC and Masaar Developments LLC, limited liability companies in United Arab Emirates (2019: invested in shares of a newly incorporated entity, Arada Properties LLC, a limited liability company in Kingdom of Saudi Arabia). Also refer to note 28.

Arada Developments LLC and its subsidiaries

Notes (continued)

32 Update on Covid-19 and subsequent event

a) Covid-19

The outbreak of novel coronavirus (Covid-19) pandemic in early 2020 has either directly or indirectly impacted all businesses. Measures to prevent transmission of the virus has an immediate impact on businesses, which then affects supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services. Implications of reduced economic activity on financial reporting should be considered by all companies. As the Group is essentially engaged in development and management of real estate and fitness club, short term impact has been experienced. However, management continues to have a reasonable expectation that the Group has adequate resources to continue as a going concern in foreseeable future. The Group is closely assessing the potential impact of the current situation on its business; specifically relating to impairment assessment of properties held for development and sale, investment properties and property plant and equipment.

The duration and impact of the COVID-19 pandemic remains unclear at this point in time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods. Given the unpredictable outcome of this pandemic, the Group will continue to monitor and assess the situation and keep adjusting its critical judgements and estimates including the inputs used for valuation of properties under development and held for sale, investment properties and property plant and equipment, as necessary, during the course of 2021.

b) Subsequent event - change in a shareholder

Subsequent to the year end, CORP KBW Investments LLC ("the new shareholder") acquired the entire 60% interest in the Company from H.R.H. Khalid Bin Alwaleed Bin Talal ("the erstwhile shareholder"). The revised shareholding pattern of the Company is as follows:

Name	No. of shares	Shareholding (%)
CORP KBW Investments LLC	120,000	60
Basma Group LLC	80,000	40

c) Investment in shares

Subsequent to the year end, the Group has invested in share of newly incorporated entities, Arada Association Administrative Supervision and Arada Education LLC, limited liability companies incorporated in United Arab Emirates.

33 Comparative information

The comparative information of the previous year has been reclassified where necessary, in order to conform to the current year's presentation. Such reclassifications do not affect the previously reported profit, net assets or equity of the Group.

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