



رأس الخيمة العقارية
RAK PROPERTIES.

ANNUAL REPORT 2021





H.H. Sheikh Saud Bin Saqr Al Qasimi
Member of the Supreme Council
and Ruler of Ras Al Khaimah



H.H. Sheikh Khalifa Bin Zayed Al Nahyan
President of the UAE



H.H. Sheikh Mohammed Bin Saud Al Qasimi
Crown Prince of Ras Al Khaimah



A Naturally *Forward Thinking* Emirate

At the Emirate's economic heart lies multiple major companies and diverse sectoral interests, including manufacturing and tourism. Major companies include: RAK Ceramics, RAKBANK, Julphar Pharmaceuticals, RAK Ports, RAK Rock, Stevin Rock, RAK Economic Zone, RAK Gas. Supporting these industries is a modern infrastructure, state-of-the-art industrial areas and business parks and world-class hotels, facilities and attractions for tourists.

For the past decade, Ras Al Khaimah has been consistently rated 'A' by Fitch and Standard & Poor's rating agencies and already the Emirate is home to more than 38,000 businesses from 100 countries representing over 50 industries. RAK Courts is also the fastest court in the world at enforcing contracts in commercial disputes.



Ras Al Khaimah (RAK) is the northernmost of the seven Emirates that make up the United Arab Emirates. It is known for its rich history, dating back 7,000 years, and diverse landscape, from 64km of pristine beaches, to terracotta deserts and an imposing mountain backdrop. The Emirate is home to the highest peak in the UAE, Jebel Jais, which features the world's longest zip line, at almost 3km.

Ras Al Khaimah is also centrally located at the modern crossroad between Europe, Asia and Africa, with one third of the world's population within four hour's flying time, making it an ideal location for businesses to expand into the UAE, the Middle East and Africa and beyond. Indeed, the World Bank's Doing Business report ranks Ras Al Khaimah 30th out of 190 economies for ease of doing business.





Delivering *Excellence*

Since RAK Properties was inaugurated in 2005, we have remained committed to being a key player in developing Ras Al Khaimah, whilst preserving the emirate's unique natural environment and cultural values. True to our ethos of Building Close to Nature, we create residential and business communities that, even within our city developments, remain in touch with nature.

Over the years, we have established ourselves as one of the UAE's leading real estate developers. We pride ourselves on using only the highest quality workmanship, materials and finishes to create stylish homes and elegant offices. We have a growing portfolio of unique residential and office developments that have made their mark on both Ras Al Khaimah and the UAE. The projects we have delivered to date include: Julphar Towers, RAK Tower and Mina Al Arab.



MINA AL ARAB

Ras Al Khaima's *Premiere Waterfront Community*

A luxurious, fully integrated community that offers the finest in waterfront living, Mina Al Arab is a blissful getaway, located in the beautiful natural surroundings of Ras Al Khaimah's pristine coastline. Mina Al Arab comprises six districts, spread across the mainland shoreline and two man-made islands creating a fascinating destination that provides residents with a welcome retreat, whilst also offering the very best of vacation living.

Mina Al Arab was created with the environment in mind, with pristine beaches, numerous areas of lush parkland and coastal wetlands devoted to preserving and showcasing its natural beauty. Surrounding residents with the beauty and diversity of the natural environment, the community aims to encourage a lifestyle where relaxation and healthy living come naturally and is the perfect place to call home, for families and young professionals alike.



Hayat island

A signature feature of Mina Al Arab is the master development, Hayat Island. The island features exciting water aspects, a fantastic waterfront promenade, seafront dining and retail, scenic cycle and pedestrian paths, all revolving around a prime position and spectacular vistas that surround it.





MINA AL ARA
LAGOON



Located in a dynamic neighbourhood of shops, cafés and cultural gardens, these apartments at Mina Al Arab face directly onto the Lagoon. The unique tiered design allows residents to have excellent views of the water & attractive promenade with cafe culture.





GATEWAY RESIDENCES

A Waterfront Oasis in the Heart of Ras Al Khaimah

Gateway Residences is a contemporary residential tower that has been designed with a free-flowing façade, which reflects the surrounding elements of nature. Located on the serene Raha island at the heart of the Mina Al Arab community, Gateway sits directly on the still waters of the lagoon, and is a short walk to the open ocean on one side and the vibrant Lagoon Walk on the other.

Offering a unique waterfront lifestyle, Gateway Residences perfectly blends nature, luxury and modern practicality to encourage relaxed living and provide the perfect home in which to enjoy time with family and friends.

M
MARBELLA
VILLAS





Live the *Ultimate Lifestyle*

Marbella Villas offers spacious luxury 2, 3, 4 & 5 bedroom villas and townhouses with extraordinary services and comforts. This sublime and vibrant residential community, set within an idyllic natural environment, combines the best of luxury living with the ultimate in both recreation and relaxation. It doesn't get any better than this.




ANANTARA
MINA AL ARAB
RAS AL KHAIMAH • RESORT



*“Life is
a journey.”*



Anantara Mina Al Arab Ras Al Khaimah Resort will feature the emirate's first Maldivian inspired overwater villas complex. With a 9,000 sqm private beach which overlooks the stunning eco-reserve lined with mangroves, the resort will also be home to a number of first class health and sports amenities such as the world-famous Anantara Spa, swimming pools and a tennis court. In addition, the resort will have four restaurant offerings, including a Thai specialty restaurant and a seafood restaurant, all of which creates the perfect ambience to both relax and be entertained.



INTERCONTINENTAL®

RAS AL KHAIMAH
MINA AL ARAB RESORT & SPA



*“Across Oceans,
Across Continents,
Across Dreams.”*

Further enhancing Mina Al Arab's offering will be the InterContinental Mina Al Arab Resort. A 350-room luxury development, the resort will include an array of 5 star facilities and entertainment outlets for residents and visitors alike to enjoy. It features a well equipped gym, health club and spa, as well as two pools and a collection of retail outlets. Boasting a number of specialty restaurants and an all-day dining restaurant, guests have a range of food and beverage options to choose from.





The Premiere Address in Ras Al Khaimah

The Julphar Twin Towers, the tallest towers in the Emirate, consists of one office tower and one residential tower complemented by extensive facilities. Perfect for an enjoyable lifestyle and convenient business, Julphar Towers provides an ultramodern lifestyle of luxury, convenience and much more.

Nature lovers can enjoy strolls along the mangroves, the creek and the beaches just minutes away from the towers. Golf aficionados can tee off from the nearby Tower Links Golf Club. The Towers have established a new standard of living and working in Ras Al Khaimah.






JULPHAR
أشرف و AVENUE

Julphar Avenue is the vibrant shopping area of Julphar Towers, and acts as the social hub of the Julphar Towers development.



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CHAIRMAN'S LETTER TO THE SHAREHOLDERS



Dear Shareholders,

The Board of Directors of RAK Properties PJSC has pleasure in submitting the consolidated financial statements for the year ending 31st December 2021.

Principal Activities:

RAK Properties continues to invest in the development and management of real estate assets and its associated activities including but not limited to sales, leasing, facility management and hospitality business.

Operational Achievements:

During the year RAK Properties continued investing in the development of residential and hospitality properties.

The Marbella, beach front villa project, ready for handover now, consists of 207 villas with the premium residential beachfront community in Hayat Island, Mina Al Arab.

The Julphar Residence, Reem Island, Abu Dhabi, a residential building comprise of 266 apartments is approaching completion. The sales of this residential tower will commence in Q1 2022.

The InterContinental Ras Al Khaimah Mina Al Arab Resort & Spa, the notable 5 Star luxury hospitality assets of RAK Properties is under snagging and will be opened shortly.

Anantara Mina Al Arab Resort, Ras Al Khaimah, the second 5 Star luxury hospitality assets of RAK Properties is progressing as per approved development plan.

RAK Properties investment in two five start hotels and residential assets development is partly funded by project finance facilities from commercial banks, with a medium and long term focus on recurring revenue generation, capital appreciation and robust balance sheet. As part of the Corporate Strategy RAK Properties

Financial Result



2021 Net Profit

AED 516 Million
(2020: AED 243 Million)



2021 Comprehensive Income

AED 200 Million
(2020: AED 99 Million)



Company Total Asset (31st December 2021)

AED 6.2 Billion
(2020: AED 5.8 Billion)

also continue to invest in the infrastructure development in Mina Al Arab community with a view to maximize the value of overall Mina Al Arab Flagship development, ultimately aiming to add value of the investment made by the investors and customers. In Our Mina Al Arab community power supply was connected with **Etihad Water and Electricity** which reduce the utility charges of the customers and tenants Further, this encourages the investors and customers to invest in our community.

Outlook 2022:

RAK Properties enjoys a distinguished status in RAK emirate, devised a robust budget for the year 2022 with an expectation to enhance the company performance compared to 2021 with the support of all stakeholders. RAK Properties allocated substantial funds for the development budget 2022, predominantly in the Mina Al Arab community with a vision to maximize the asset of the company to increase the revenue generating along with adding value to the brand of **RAK Properties PJSC and Mina Al Arab Community** as one of the most sought after destinations in UAE, where people aspire to live, work, relax and enjoy.

THE BOARD OF DIRECTORS



Auditors:

M/s. Ernst & Young (EY) has been the auditor of the company, they are eligible for re-appointment and have expressed their willingness to be re-appointed.

On behalf of the Board,

Abdul Aziz Adbullah Al Zaabi
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants* (including International Independence Standards) (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the consolidated financial statements, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of unquoted investments through other comprehensive income

The Group's unquoted investments portfolio identified as fair value through other comprehensive income amounted to AED 50,243 thousand at 31 December 2021 (2020: AED 73,468 thousand) and the net fair value loss recorded in the consolidated statement of comprehensive income amounted to AED 1,866 thousand (2020: loss of AED 14,321 thousand). The Group measures its unquoted investments at fair value (note 10).

The determination of fair value of these unquoted investments is based on external valuations.

We identified assessing the fair value of unquoted investments measured at fair value through other comprehensive income as a key audit matter because of the degree of complexity involved and significant judgment exercised in determining the inputs used in the valuation models.

We have performed the following procedures:

- Obtained and inspected the valuation assessment prepared by the external valuers;
- Evaluated the external valuers' qualifications, experience and expertise in the investments being valued and considered their objectivity, independence and scope of work;
- Assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for determining the fair value.
- On sample basis, we tested the inputs provided to the external valuers by management;
- We agreed the total valuation in the valuers report to the amount reported in the consolidated statement of financial position.
- We involved our internal valuation specialist to review valuation methodologies, key assumptions and critical judgments used by comparing these with market data, or other publicly available information, on selected investments; and
- We have assessed the disclosures made in the consolidated financial statements in accordance with the requirements of IFRSs.

Valuation of investment properties and investment properties under development

The Group owns a portfolio of investment properties of AED 1,568,192 thousand (2020: AED 2,475,237 thousand) and investment properties under development AED 65,197 thousand (2020: AED 311,642 thousand) comprising commercial properties, residential properties and various parcels of land. Net fair value gain recorded in the consolidated statement of profit or loss amounted to AED 2,552 thousand (2020: AED 31,085 thousand) (note 7 and note 8).

We have performed the following procedures:

- Obtained and inspected the valuation assessment prepared by the external valuers;
- Evaluated the external valuers' qualifications, experience and expertise and considered their objectivity, independence and scope of work;
- Assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for determining the fair value.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties and investment properties under development (continued)

These investment properties and investment properties under development are stated at their fair values as determined by independent real estate valuers ("the valuers") engaged by the Group.

The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the significant unobservable inputs and a small change in the assumptions can have a significant impact to the valuation.

- With the assistance of our internal valuation specialist, we considered the reasonableness of valuation methodologies and assumptions used in the valuations for selected properties;
- On sample basis, we tested the inputs provided to the external valuers by management;
- We agreed the total valuation in the external valuers report to the amount reported in the consolidated statement of financial position; and
- Assessed the adequacy of the disclosures in the consolidated financial statements including disclosures regarding key assumptions which have the highest effect in determination of the fair value.

Assessment of net realisable value of trading properties and trading properties under development

The Group has trading properties of AED 26,114 thousand (2020: AED 61,881 thousand) and trading properties held under development of AED 1,811,327 thousand (2020: AED 722,041 thousand) as at 31 December 2021 (note 9 and note 12). Impairment loss recorded in the consolidated statement of profit or loss amounted to AED 1,647 thousand (2020: Nil) (note 23).

Trading properties and trading properties under development are stated at the lower of their costs and their net realisable values.

An assessment of the net realisable value of the Group's land held for sale is carried out at each reporting date based on valuation exercise.

Further, management also assesses the net realisable value of a portion of properties based upon future sales plan.

The assessment of the fair value of these properties involves significant judgment in determining the appropriate methodology and in estimating the underlying assumptions. It is also dependent upon the management's estimation of future selling prices of these properties.

We have performed following procedures:

- Obtained and inspected the valuation assessment prepared by the external valuers;
- Evaluated the external valuers' qualifications, experience and expertise and considered their objectivity, independence and scope of work;
- With the assistance of our internal valuation specialist, we considered the reasonableness of valuation methodologies and assumptions used in the valuations for selected properties;
- On sample basis, we tested the inputs provided to the external valuers by management;
- We reperformed the arithmetical accuracy of the determination of recoverable amounts and assessing the reasonableness of any resulting write-down;
- Assessed the reasonableness of the Group's estimated selling prices, by comparing them to, recently transacted prices and prices of comparable properties;
- On sample basis, tested the net realisable value by comparing cost to recent selling prices and assessing the reasonableness of any resulting write-down; and
- We have assessed the disclosures made in the consolidated financial statements to determine if they are in accordance with the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter

Revenue recognition from sale of units

Revenue recognition from sale of units require significant judgements to be applied and estimates to be made.

The Group assesses for each of its contracts with customers, whether to recognise revenue over a period of time or at a point in time based on the consideration of whether the Group has created an asset with no alternative use and whether the Group has an enforceable right for payment related to performance completed at any time during the life of the contract as disclosed in the consolidated financial statements.

Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period. Revenue recognition on sale of units was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations and judgements made in assessing the timing of revenue recognition.

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors Report and does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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.

How our audit addressed the key audit matter

We have performed following procedures:

- We obtained an understanding of the process implemented by the Group for revenue recognition and measurement in respect of sale of units.
- We inspected a sample of contracts with customers for sale of units and assessed management's identification of performance obligations and their determination of whether revenue should be recognised over a period of time or at a point in time in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers by making reference to the terms and conditions specified in the contracts.
- We determined to what extent the resultant performance obligations had been satisfied through the inspection of supporting documentation.
- For ongoing real estate developments, we examined cost budgets and reviewed the projects' completion percentages as a percentage of total costs incurred. On a sample basis, we recalculated the amount of revenue to be recognised.
- We have assessed the disclosures made in the consolidated financial statements to determine if they are in accordance with the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information (continued)

If, based on the work we have performed on other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors 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.
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- 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 the Board of Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC (continued)

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 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 Articles of Association of the Company and the UAE Federal Law No. (2) of 2015 (as amended);
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Board of Director's report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 December 2021 (if any), are disclosed in note 10 to the consolidated financial statements;
- vi) note 26 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or Articles of Association of the Company which would materially affect its activities or its financial position as at 31 December 2021; and
- viii) note 23 reflects the social contributions made during the year ended 31 December 2021.

Further, as required by the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

For Ernst & Young



Signed by:
Wardah Ebrahim
Partner

Registration No.: 1258


12 February 2022

Ras al Khaimah, United Arab Emirates

RAK Properties PJSC and its subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
ASSETS			
Non-current assets			
Property and equipment	6	1,428,630	1,172,600
Investment properties	7	1,568,192	2,475,237
Investment properties under development	8	65,197	311,642
Trading properties under development	9	1,521,038	300,932
Investments	10	91,222	93,384
Trade receivables, prepayments and other receivables	11	511,162	212,491
		<u>5,185,441</u>	<u>4,566,286</u>
Current assets			
Trading properties under development	9	290,289	421,109
Inventories		911	699
Investments	10	9,087	12,832
Trading properties	12	26,114	61,881
Trade receivables, prepayments and other receivables	11	233,498	278,630
Bank balances and cash	13	468,978	454,373
		<u>1,028,877</u>	<u>1,229,524</u>
TOTAL ASSETS		<u>6,214,318</u>	<u>5,795,810</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	2,000,000	2,000,000
Statutory reserve	15	1,000,000	1,000,000
Other reserves	16	704,832	382,876
Retained earnings		402,578	527,927
TOTAL EQUITY		<u>4,107,410</u>	<u>3,910,803</u>
Non-current liabilities			
Employees' end-of-service benefits	17	3,038	3,970
Bank borrowings	18	771,161	461,826
Deferred government grants	7	402,859	461,028
Trade payable, accruals and other liabilities	19	33,040	31,009
		<u>1,210,098</u>	<u>957,833</u>
Current liabilities			
Bank borrowings	18	566,881	622,701
Trade payable, accruals and other liabilities	19	329,929	304,473
		<u>896,810</u>	<u>927,174</u>
TOTAL LIABILITIES		<u>2,106,908</u>	<u>1,885,007</u>
TOTAL EQUITY AND LIABILITIES		<u>6,214,318</u>	<u>5,795,810</u>

These consolidated financial statements were approved by the Board of Directors, and authorised for issue on 12 February 2022 and signed on their behalf by:


Abdul Aziz Abdullah Al Zaabi
Chairman


Mohammed Al Tair
Acting Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

RAK Properties PJSC and its subsidiaries
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Revenue	20	515,624	243,499
Cost of revenue	21	(320,692)	(159,521)
GROSS PROFIT		194,932	83,978
Other income	22	67,201	48,620
Selling, marketing and administrative expenses	23	(47,737)	(39,655)
Net change in fair value of investment properties	7	2,552	31,085
OPERATING PROFIT		216,948	124,028
Dividend income	10	596	1,088
Net change in fair value of investments through profit or loss	10	(3,745)	(2,830)
Provision for expected credit losses	11	(6,626)	(570)
Finance income		7,013	10,794
Finance costs	24	(12,713)	(18,988)
PROFIT FOR THE YEAR		201,473	113,522
<i>Earnings per share attributable to the owners of the Company</i>			
Basic and diluted earnings per share (AED)	25	0.10	0.06

The attached notes 1 to 31 form part of these consolidated financial statements.

RAK Properties PJSC and its subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021 AED'000	<i>2020</i> <i>AED'000</i>
Profit for the year	201,473	113,522
Other comprehensive income: Items that will not be reclassified to profit or loss in subsequent periods:		
Net change in fair value of equity investments at fair value through other comprehensive income	<u>(1,866)</u>	<u>(14,321)</u>
Other comprehensive loss for the year	<u>(1,866)</u>	<u>(14,321)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>199,607</u>	<u>99,201</u>

The attached notes 1 to 31 form part of these consolidated financial statements.

RAK Properties PJSC and its subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Other reserves AED'000</i>	<i>Total equity AED'000</i>
At 1 January 2020	2,000,000	1,000,000	509,757	385,845	3,895,602
Profit for the year	-	-	113,522	-	113,522
Other comprehensive loss for the year	-	-	-	(14,321)	(14,321)
Total comprehensive income for the year	-	-	113,522	(14,321)	99,201
Board of Directors' remuneration	-	-	(4,000)	-	(4,000)
Dividend paid to shareholders	-	-	(80,000)	-	(80,000)
Transfer to other reserves (note 16)	-	-	(11,352)	11,352	-
At 31 December 2020	2,000,000	1,000,000	527,927	382,876	3,910,803
Profit for the year	-	-	201,473	-	201,473
Other comprehensive loss for the year	-	-	-	(1,866)	(1,866)
Total comprehensive income for the year	-	-	201,473	(1,866)	199,607
Board of Directors' remuneration (note 26)	-	-	(3,000)	-	(3,000)
Transfer to other reserves (note 16)	-	-	(323,822)	323,822	-
At 31 December 2021	2,000,000	1,000,000	402,578	704,832	4,107,410

The attached notes 1 to 31 form part of these financial statements.

RAK Properties PJSC and its subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
OPERATING ACTIVITIES			
Profit for the year		201,473	113,522
Non cash items:			
Depreciation	6	10,032	10,705
Finance income		(7,013)	(10,794)
Finance cost	24	12,713	18,988
Dividend income		(596)	(1,088)
Net change in fair value of investments at fair value through profit or loss		3,745	2,830
Gain on disposal of investments	22	(5,000)	-
Net change in fair value of investment properties	7	(2,552)	(31,085)
Impairment of trading properties under development	9	254	-
Impairment of trading properties	12	1,393	-
Loss on disposal of property and equipment		(90)	(4)
Expected credit losses on trade, contract and other receivables	11	6,626	570
Provision for employees' end of service benefits	17	950	616
Income from government grant	22	(58,169)	(45,213)
		<u>163,766</u>	<u>59,047</u>
Changes in working capital:			
Trading properties		35,767	36,937
Trading properties under development		75,018	(12,730)
Trade receivables, prepayments and other receivables		(304,937)	(49,309)
Advances to suppliers and contractors		46,610	20,825
Inventories		(212)	59
Trade payable, accruals and other liabilities		25,381	29,827
Advance from customers		2,367	2,302
Employees' end of service benefits paid	17	(1,882)	(297)
Net cash generated from operating activities		<u>41,878</u>	<u>86,661</u>
INVESTING ACTIVITIES			
Additions to property and equipment	6	(266,063)	(180,211)
Interest received		7,425	12,175
Dividend received		596	1,088
Proceed from sale of property and equipment		91	-
Addition in investment Properties		(478)	-
Proceeds from disposal of investments at fair value through profit or loss		5,296	459
Additions to investment properties under development	8	(9,431)	(5,786)
Net cash used in investing activities		<u>(262,564)</u>	<u>(172,275)</u>
FINANCING ACTIVITIES			
Dividend paid		(129)	(83,755)
Borrowings availed	30	257,581	242,965
Borrowings repaid	30	(75,934)	(55,775)
Interest paid		(14,965)	(26,912)
Board of directors' remuneration paid		(3,000)	(4,000)
Net cash generated from financing activities		<u>163,553</u>	<u>72,523</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		<u>(57,133)</u>	<u>(13,091)</u>
Cash and cash equivalents at the beginning of the year	13	(19,814)	(6,723)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	<u>(76,947)</u>	<u>(19,814)</u>

The attached notes 1 to 31 form part of these financial statements.

RAK Properties PJSC and its subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 At 31 December 2021

1 REPORTING ENTITY

RAK Properties PJSC ("the Company") is a public joint stock company established under Amiree Decree No. 5 issued by the Ruler of the Emirate of Ras Al Khaimah on 16 February 2005 which commenced its operations on 2 June 2005. The Company is listed on the Abu Dhabi Securities Exchange, United Arab Emirates (UAE). The registered office of the Company is P.O. Box 31113, Ras Al Khaimah, UAE.

The consolidated financial statements as at and for the year ended 31 December 2021 comprises the Company and its subsidiaries (collectively referred to as "the Group").

The principal activities of the Group are investment in and development of properties, property management and related services.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), applicable provision of the Articles of Association of the Company and UAE Federal Law No. (2) of 2015 (as amended). Federal Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Group is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention basis except for investment properties, investment properties under development and investments, carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(c) Functional and presentational currency

These consolidated financial statements are prepared in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and presentation currency of the Group. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its Subsidiaries. The Subsidiaries of the Company are as follows:

Name of Subsidiary	Parent Company	Country of incorporation	Ownership interest	
			2021	2020
RAK Properties International Limited	RAK Properties PJSC	United Arab Emirates	100%	100%
Lagoon Marina Ship Management and Operation L.L.C.	RAK Properties PJSC	United Arab Emirates	100%	100%
Intercontinental RAK Mina Al Arab Resorts & Spa L.L.C.*	RAK Properties PJSC	United Arab Emirates	100%	-
RAK Properties Tanzania Limited	RAK Properties International Limited	Tanzania	100%	100%
Dolphin Marina Limited	RAK Properties Tanzania Limited	Tanzania	100%	100%

* Incorporated on 19 May 2021

The principal activities of the above Subsidiaries are investment and development of properties, property management, marina management and related services.

2 BASIS OF PREPARATION (continued)

(d) Basis of consolidation (continued)

Subsidiaries

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Judgements

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

(i) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of revenue recognition on the sale of property

The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract. The Group has concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers. For contracts relating to the sale of property under development, the Group recognises the revenue over a period of time as the Group's performance does not create an asset with alternative use. Furthermore, the Group has an enforceable right to payment for performance completed to date. It has considered the factors that indicate that it is restricted (contractually or practically) from readily directing the property under development for another use during its development. In addition, the Group is, at all times, entitled to an amount that at least compensates it for performances completed to date. In making this determination, the Group has carefully considered the contractual terms as well as local legislations.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer.

Principal versus agent considerations – services to tenants

The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Judgements (continued)

(i) Revenue from contracts with customers (continued)

Consideration of significant financing component in a contract

For contracts involving the sale of property, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates include 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.

(ii) Leases - Property lease classification – the Group as lessor

The Group has entered into commercial and residential property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases

(iii) Classification of properties

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property and equipment and/or trading property. The Group develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment and trading property. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2, IAS 16 and IAS 40, in particular, the intended usage of property as determined by the management. Trading properties are grouped under current assets, as intention of the management is to sell it within one year from the end of the reporting date.

Key sources of estimation uncertainty

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties and investment properties under development

The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the sales comparable method and discounted cash flow method. The discounted cash flow method requires the use of estimates such as future cash flows from assets (comprising of selling and leasing rates, future revenue streams, construction costs and associated professional fees, and financing cost, etc.), targeted internal rate of return and developer's risk and targeted profit. These estimates are based on local market conditions existing at the end of the reporting period. Under the income capitalisation method, the income receivable under existing lease agreements and projected future rental streams are capitalised at appropriate rates to reflect the investment market conditions at the valuation dates. The Group's undiscounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and judgements related to future rental yields and capitalisation rates. Refer note 7 and note 8 for the fair valuation of investment properties and investment properties under development, respectively.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty (continued)

Estimation of net realisable value for trading properties and trading properties under development

The Group's management reviews the trading properties and trading properties under development to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated total cost at completion, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties to its net realisable value.

Calculation of expected credit loss allowance:

The Group assesses the impairment of its financial assets based on the ECL model. Under the expected credit loss model, the Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Group measures the loss allowance at an amount equal to lifetime ECL for its financial instruments. When measuring ECL, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Impairment of property and equipment and capital work in progress

The Group reviews its property and equipment and capital work in progress to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reduction in the carrying value of property and equipment or capital work in progress. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property and equipment or capital work in progress.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Valuation of unquoted investments

Valuation of unquoted investments is normally based on one of the following:

- Recent arm's length market transactions;
- The expected cash flows discounted at current rates applicable for the items and with similar terms and risk characteristics; or
- Other valuation models

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data. Refer to note 29 for estimates applied and amount involved.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good 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;
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 one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

Revenues from the sale of properties

The Group enters into contracts with customers to sell property that are either completed or under development.

- *Completed property*

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers.

- *Under development property*

For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and accounts for such contracts as a single performance obligation. The Group has determined that, for sale of under development property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts.

For contracts that meet the over time revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation relative to the total expected inputs to the completion of the property.

- *Other consideration related to the sale of property*

In determining the transaction price, the Group considers the effects of the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

When a significant financing component is identified, the Group is required to adjust the promised amount of consideration for the effects of the time value of money. This is because the Group is required to recognise revenue at an amount that reflects the price that the customer would have paid for the promised goods or services if the customer had paid in cash for those goods or services when (or as) they transfer to the customer.

For sale of property, the Group is required to incorporate the element of significant financing component in the trade and contract receivables recorded by the Group as the transaction implicitly gives a financing facility to the customer to pay the amount in future. This is not considered to be a significant financing component in sale of property under development with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Revenue recognition (continued)

Facility management income

Revenue from services such as property management and facilities management is recognised in the accounting period in which the services are rendered over the period of time.

Leasing income

Leasing income from operating leases is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total lease income, over the term of the lease.

Forfeiture income

Forfeiture income is recognised in the consolidated profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under the section Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group pays sales commission to its employees for contracts that they obtain to sell certain units of property and capitalises the incremental costs of obtaining a contract that meet the criteria in IFRS 15. These costs are recognised in the consolidated statement of profit or loss coinciding with the revenue recognition for such property.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

Finance income

Finance income mainly comprises interest income on fixed deposits. Interest income is recognised in the consolidated statement of profit or loss as it accrues, using the effective interest rate method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipt through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend income

Dividend income is recognised in the consolidated statement of profit or loss on the date on which the Group's right to receive payment is established.

Property and equipment including capital work-in-progress

Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items of property and equipment

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. When significant parts of equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Derecognition

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

Depreciation

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings	20 – 25
Equipment	10
Furniture and fixtures	4
Computer and office equipment	4
Motor vehicles	4

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property and equipment including capital work-in-progress

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (refer accounting policy on impairment), if any, until the construction is complete. Upon completion of construction, the cost of such asset together with the cost directly attributable to construction are transferred to the respective class of assets. No depreciation is charged on capital work-in-progress.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties and investment properties under development

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 classified as investment properties under development.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using fair value model. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of profit or loss.

Where the fair value of 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.

Transfer from trading properties to investment properties

Certain trading properties are transferred to investment properties when there is a change in the use of the properties. Trading properties 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 re-measurement is recognised in profit or loss on the specific property.

Transfer from investment properties to trading properties

Properties are transferred from investment properties to trading properties when there is a change in use of the property. Such transfers are made at the fair value of the properties at the date of transfer and gain arising on transfer is recognised in the statement of profit or loss. Fair value at the date of reclassification becomes the cost of properties transferred for subsequent accounting purposes. Subsequent to the transfer, such properties are valued at lower of cost or net realisable value in accordance with the measurement policy for trading properties.

Transfer from investment properties to owner-occupied properties

If an investment property becomes owner-occupied property, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Transfer from owner-occupied property to investment properties

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in the consolidated statement of profit or loss.

Sale of investment properties

Certain investment properties are sold in the ordinary course of business. No revenue and direct / operating costs are recognised for sale of investment properties. Any gain or loss on disposal or sale of investment properties (calculated as the difference between the net proceeds from the disposal and carrying amount) is recognised in the consolidated statement of profit or loss.

Trading properties and trading properties under development

Land and buildings identified as trading properties, 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 the business, less cost of completion and selling expenses.

The amount of any write down of trading properties 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.

Cost of trading properties is determined on the basis of specific identification of their individual costs. The classification of trading properties under development as current and non-current depends upon the expected date of their completion.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

(i) Classification and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). The classification of financial assets under IFRS 9 is generally based on the Group's business model in which a financial asset is managed and its contractual cash flow characteristics. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section revenue from contracts with customers.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- 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.

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 FVPL. 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 FVPL, 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 FVPL, transaction costs that are directly attributable to its acquisition.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

Trade payable, accruals and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

(ii) Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets and financial liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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

Equity instruments at fair value through other comprehensive income

These assets are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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 losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in consolidated statement of profit or loss.

(iii) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms

The Group measures impairment allowances using the simplified approach. Under this approach, the Group categorises its financial assets under a three stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the financial assets that are not measured at FVPL or FVOCI. Financial assets migrate through three stages based on the change in credit risk since initial recognition.

The three-stage ECL model is based on the change in credit quality of financial assets since initial recognition.

1. 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.
2. 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.
3. 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.

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. 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.

Measurement of ECL

The Group employs statistical models for ECL calculations.

ECL 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). ECL are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired.

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.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

The Group derecognises a financial liability when, and only when, its contractual obligations are discharged, cancelled, or they 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 the consolidated statement of profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position if there is a legally enforceable right to set off the amounts and there is an intension to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results of the operating segments are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, costs incurred for purchase of investment properties or redevelopment of existing investment properties and costs incurred towards development of properties which are either intended to be sold or transferred to investment properties.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties, inventories, contract assets, trading properties and trading properties under development) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. They are then recognised in the consolidated statement of profit or loss as other income on a systematic basis upon the fulfilment of conditions stipulated by the Government.

Such grants are generally received with the implicit condition that they are to be utilised for development, and accordingly, the fulfilment of the condition is estimated based on the progress of development activities.

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, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in the consolidated income statement in the year in which they are incurred.

Provisions and accruals

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent a cash refund or a reduction in future payments is available.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Provision for employees' end of service benefits

Provision is made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to leave passage is disclosed as a current liability, while the provision relating to end of service indemnity it is disclosed as a non-current liability.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Directors' remuneration

Pursuant to Article 169 of the Federal Law No. (2) of 2015 (as amended) and in accordance with article of association of the Company, the Directors shall be entitled for remuneration, which shall not exceed 10% of the net profit after deducting depreciation and the reserves.

Foreign currency

Transactions in foreign currency are translated into the respective functional currencies of the Group companies at the exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Foreign currency differences are generally recognised in profit or loss.

Foreign operations

The results and financial position of all the foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of profit or loss are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

Dividend distribution

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

Fair value measurement

The Group measures certain financial instruments such as financial assets at FVPL, and certain non-financial assets such as investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has an established control framework with respect to the measurement of fair values.

This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

External valuers are involved for valuation of significant assets, such as properties. If third party is used to measure fair values, the management team discusses with the valuer the valuation techniques and inputs to use and assesses the evidence obtained from the third party to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Inventories

Inventories are stated at the lower of cost and net realisable value with due allowance for any obsolete or slow-moving items. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Earnings per share

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Short-term leases and leases of low-value assets

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

Group as a lessor

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The Group applied for the first-time certain new standards, amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any standards, amendments or interpretations 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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

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

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

4 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards, amendments and interpretations issued but not yet effective

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

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

5 FINANCIAL RISK MANAGEMENT, OBJECTIVE AND POLICIES

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- 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.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's management is responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on its activities. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others.

5 FINANCIAL RISK MANAGEMENT, OBJECTIVE AND POLICIES (continued)

(i) 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 is exposed to credit risk in relation to its financial assets, mainly investments, trade receivables, other receivables and bank balances.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment allowance, represents the Group's maximum exposure to credit risk. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

An analysis of the Group's credit risk exposure for trade, contract and other receivables has been disclosed in note 30.1.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is further explained in note 30.2.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, 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.

a. Currency risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED, US Dollars or other currencies, whereby the AED or other currencies are pegged to the US Dollar.

b. 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 interest rate risk is subject to changes in EIBOR rates (note 30.4).

c. Equity price risk

The Group is exposed to equity securities price risk through investments held by the Group and classified as equity instrument at fair value (note 30.3).

(iv) Capital management

For the purpose of the Group's capital management, capital includes issued share capital, statutory reserve, general reserve, fair value reserve and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders. No changes were made in the objectives, policies or processes during the year.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with capital. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions, its business model and risk profile. The Group targets to maintain the net worth above AED 3,500,000 thousand and leverage ratio below 1. Leverage ratio as at 31 December 2021 is 0.3 (31 December 2020: leverage ratio of 0.3).

RAK Properties PJSC and its subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2021

6 PROPERTY AND EQUIPMENT

	<i>Lands AED '000</i>	<i>Buildings AED '000</i>	<i>Furniture and fixtures AED '000</i>	<i>Computer and office equipment AED '000</i>	<i>Motor vehicles AED '000</i>	<i>Capital work -in- progress AED '000</i>	<i>Total AED '000</i>
Cost:							
As at 1 January 2020	280,734	166,291	4,456	8,801	1,200	355,437	816,919
Additions	-	607	333	535	41	184,694	186,210
Transfer from investment properties (note 7)	236,633	-	-	-	-	-	236,633
Transfer from investment properties under development (note 8)	-	-	-	-	-	8,109	8,109
Disposals	-	-	-	(589)	-	-	(589)
At 31 December 2020	517,367	166,898	4,789	8,747	1,241	548,240	1,247,282
Additions	-	2,330	67	642	-	263,024	266,063
Transfers	44,231	-	-	-	-	(44,231)	-
Disposals	-	-	-	(2)	(412)	-	(414)
At 31 December 2021	561,598	169,228	4,856	9,387	829	767,033	1,512,931
Accumulated depreciation:							
As at 1 January 2020	-	52,315	4,322	6,904	1,025	-	64,566
Charge for the year	-	9,619	64	952	70	-	10,705
Disposals	-	-	-	(589)	-	-	(589)
At 31 December 2020	-	61,934	4,386	7,267	1,095	-	74,682
Charge for the year	-	9,129	141	697	65	-	10,032
Disposals	-	-	-	(1)	(412)	-	(413)
At 31 December 2021	-	71,063	4,527	7,963	748	-	84,301
Net book value:							
As at 31 December 2021	561,598	98,165	329	1,424	81	767,033	1,428,630
As at 31 December 2020	517,367	104,964	403	1,480	146	548,240	1,172,600

RAK Properties PJSC and its subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2021

6 PROPERTY AND EQUIPMENT (continued)

The depreciation charge has been allocated as follows:

	2021 AED '000	2020 AED '000
Cost of sales	1,550	1,356
Selling, marketing and administrative expenses (note 23)	8,482	9,349
At 31 December	10,032	10,705

At 31 December 2021 the cost of fully depreciated property and equipment that was still in use amounted to AED 11,499 thousand (2020: AED 11,311 thousand).

Property and equipment mainly comprises land and buildings that are located in United Arab Emirates.

Capital work-in-progress represents expenditure incurred on the construction of hotels, which are intended to be used according to the Group's relevant business model. The construction work on these hotels are ongoing at the reporting date and management expects to start the operation of these hotels in FY 2022-23. Capital work in progress includes borrowing cost capitalised during the year amounting to AED 26,839 thousand (2020: AED 24,463 thousand), calculated using an average capitalisation rate of 3.80% (2020: 3.83%).

In previous year, the management had reassessed the use of certain investment properties and investment properties under development. Accordingly, properties with a cost of AED 244,742 thousand had been transferred to property and equipment in previous year as they are now owner-occupied.

Certain items of property and equipment are mortgaged against bank borrowings (note 18).

7 INVESTMENT PROPERTIES

	2021 AED '000	2020 AED '000
At 1 January	2,475,237	2,649,325
Change in fair value	2,552	31,085
Transfer from investment properties under development (note 8)	255,876	-
Transfer (to) / from trading properties under development (note 9)	(1,164,559)	87,898
Transfer to trading properties (note 12)	(914)	(56,438)
Transfer to property and equipment (note 6)	-	(236,633)
At 31 December	1,568,192	2,475,237

Investment property comprises land parcels and a number of residential and commercial properties that are leased to third parties. The Group has no restrictions on the realisability of its investment properties no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	2021 AED '000	2020 AED '000
Rental income derived from investment properties (note 20)	28,649	28,039
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)	(1,193)	(2,311)
Profit arising from investment properties carried at fair value	27,456	25,728

7 INVESTMENT PROPERTIES (continued)

Description of the valuation techniques used and key inputs to the valuation of Investment Properties

The fair values of the investment properties are arrived on the basis of a valuation carried out by independent valuers not connected with the Group. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

A valuation model recommended by the International Valuation Standards Committee has been applied which is consistent with the principles of IFRS 13. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The fair value measurement for all of the investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used. The value of the investment properties has been determined through analysis of the following:

Valuation technique underlying management's estimation of fair value	Significant unobservable inputs
<p>Discounted cash flow method</p> <p>The fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.</p>	<p>Based on the type and location of the property, the value of each of the properties has been determined by assuming discount rates of 11% to 12% and exit cap rates of 8% to 8.5% (discounted cash flow method).</p> <p>The fair value for the properties valued under the discounted cash flow method are sensitive to the change in the above factors.</p>
<p>Sales comparable method</p> <p>This method involves analysing sales and asking prices of similar units and comparing these to the subject property. Comparative analysis isolates similarities and differences in the property rights appraised, market conditions, size, location and physical features.</p>	<p>Prices of land parcels range from AED 4 per square foot to AED 1,289 per square foot.</p> <p>Prices of commercial properties range from AED 300 per square foot to AED 1,667 per square foot.</p>

Investment properties are located in United Arab Emirates.

The Government of Ras Al Khaimah had granted certain plots of land with an aggregate area of 66,977 thousand square feet on the condition that these lands undergo development.

The Group has accounted for the portion of land granted as deferred government grant. This deferred government grant will be released on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities. During the current year, management has recognised AED 58,169 thousand (2020: AED 45,213 thousand) to the consolidated statement of profit or loss. Remaining amount of deferred government grant as at 31 December 2021 is AED 402,859 thousand (2020: AED 461,028 thousand).

In previous year, the management had reassessed the use of certain trading properties. In the view of the Board of Directors, these properties with an associated cost of AED 33,900 thousand will generate rental revenue for the Group. Accordingly, the value of such properties had been transferred to investment properties during the year ended 31 December 2020.

During the year the management has reassessed the use of certain investment properties. In the view of the Board of Director, these properties with an associated cost of AED 1,164,559 thousand will be developed and directly sold. Accordingly, the value of such properties has been transferred to trading properties under development during the year ended 31 December 2021 (2020 : Nil).

Certain items of investment properties are mortgaged against bank borrowings (note 18).

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8 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	2021 AED '000	2020 AED '000
At 1 January	311,642	312,573
Cost incurred	9,431	7,178
Transferred to investment properties (noted 7)	(255,876)	-
Transferred to property and equipment (note 6)	-	(8,109)
At 31 December	65,197	311,642

Cost incurred include borrowing cost capitalised amounted to AED 1,368 thousand (2020: AED 1,392 thousand), calculated using an average capitalisation rate of 3.81% (2020: 4.53%).

Investment properties under development are located in United Arab Emirates.

Description of the valuation techniques used and key inputs to the valuation of Investment Properties under Development

The fair values of the investment properties under development are arrived at on the basis of a valuation carried out by independent valuers. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

A valuation model recommended by the International Valuation Standards Committee has been applied which is consistent with the principles of IFRS 13. In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

The fair value measurement for all of the investment properties under development has been categorised as Level 3 fair value based on the inputs to the valuation technique used. The value of the investment properties under development has been determined through analysis of the following:

Valuation technique underlying management's estimation of fair value	Significant unobservable inputs
<p>Discounted cash flow method The fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.</p>	<p>Based on the type and location of the property, the value of each of the properties has been determined by assuming discount rates of 11% to 12% and exit rates of 8% to 8.5%.</p> <p>The fair value for the properties valued under the discounted cash flow method are sensitive to the change in the above factors.</p>
<p>Sales comparable method This method involves analysing sales and asking prices of similar units and comparing these to the subject property. Comparative analysis isolates similarities and differences in the property rights appraised, market conditions, size, location and physical features.</p>	<p>Prices ranges from AED 135 per square foot to AED 177 per square foot.</p>

Certain items of investment properties under development are mortgaged against bank borrowings (note 18).

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9 TRADING PROPERTIES UNDER DEVELOPMENT

	2021 AED '000	2020 AED '000
At 1 January	722,041	797,207
Cost incurred	152,862	102,421
Cost of properties sold	(227,881)	(59,010)
Transfer from / (to) investment properties under development (note 7)	1,164,559	(87,898)
Impairment	(254)	-
Transfer to trading properties (note 12)	-	(30,679)
At 31 December	1,811,327	722,041
	2021 AED '000	2020 AED '000
Inside UAE	1,795,224	705,684
Outside UAE	16,103	16,357
	1,811,327	722,041
Less: classified as current assets	(290,289)	(421,109)
Classified as non-current assets	1,521,038	300,932

The net realisable value of the trading properties under development are arrived at on the basis of a valuation carried out by independent valuers. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

A valuation model recommended by the International Valuation Standards Committee has been applied.

Certain items of trading properties under development are mortgaged against bank borrowings (note 18).

Trading properties under development include lands held for future development and use amounting to AED 1,509,922 thousand (2020: AED 351,789 thousand) based on the business plans approved by the Board of Directors, management is currently evaluating feasibility of the projects and considering alternative viable options.

Cost of revenue of AED 227,881 thousand (2020: AED 59,010 thousand) has been recognised in the consolidated statement of profit or loss.

10 INVESTMENTS

	2021 AED '000	2020 AED '000
Non-current investments		
<i>At fair value through other comprehensive income</i>		
<i>Investments within UAE</i>		
Unquoted equity investments	4,374	5,689
<i>Investments outside UAE</i>		
Unquoted equity investments	19,421	23,989
Unquoted real estate funds	26,448	43,790
Quoted securities	40,979	19,916
	91,222	93,384

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10 INVESTMENTS (continued)

	2021 AED '000	2020 AED '000
Current investments		
<i>At fair value through profit or loss</i>		
<i>Investments within UAE</i>		
Quoted securities	2,975	3,663
<i>Investments outside UAE</i>		
Unquoted equity investments	6,112	9,169
	9,087	12,832

The Group has not purchased any new investments during the year ended 31 December 2021 (2020: Nil).

During the year, dividend income received from these investments amounted to AED 596 thousand (2020: AED 1,088 thousand).

A reconciliation of investments measured at fair value based on significant unobservable inputs (level 3 fair value) is as follows:

	2021 AED '000	2020 AED '000
At 1 January	82,637	90,859
Disposals	(297)	-
Change in fair value, net	(25,985)	(8,222)
At 31 December	56,355	82,637

The details of valuation techniques and assumptions applied for the measurement of fair value of investments are mentioned in note 29.

11 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	2021 AED '000	2020 AED '000
Trade receivables (note 20)	244,055	286,260
Advances to suppliers and contractors	68,741	115,351
Contract assets (note 20)	417,655	66,315
VAT receivable	5,512	4,242
Other receivables	25,114	28,744
	761,077	500,912
Less: Provision for expected credit losses	(16,417)	(9,791)
	744,660	491,121
Less: Non-current portion	(511,162)	(212,491)
	233,498	278,630

Advances to suppliers and contractors includes amounts advanced to a related party of AED 779 thousand (2020: AED 35,142 thousand) (note 26).

Trade receivables is backed by post-dated cheques amounting to AED 209,657 thousand (2020: AED 251,113 thousand)

RAK Properties PJSC and its subsidiaries
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11 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

	2021	2020
	AED '000	AED '000
<i>Movements in provision for expected credit losses:</i>		
At 1 January	9,791	9,221
Provision for impairment allowance (note 23)	6,626	570
Write-off	-	-
	<hr/>	<hr/>
At 31 December	16,417	9,791
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of gross trade receivable is as follows:

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
			<i>0-30 days</i>	<i>30-60 days</i>	<i>60-90 days</i>	<i>>90 days</i>
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
2021	244,055	196,225	37,549	2,011	466	7,804
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2020	286,260	235,430	26,684	2,083	8,854	13,209
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Refer note 30.1 for details on associated credit risks against the above trade and other receivables

12 TRADING PROPERTIES

	2021	2020
	AED '000	AED '000
At 1 January	61,881	42,380
Transferred from investment properties (note 7)	914	56,438
Transferred from advance to suppliers	17,403	-
Cost incurred	341	-
Cost of properties sold	(53,032)	(67,616)
Impairment	(1,393)	-
Transferred from trading properties under development (note 9)	-	30,679
	<hr/>	<hr/>
At 31 December	26,114	61,881
	<hr/> <hr/>	<hr/> <hr/>
	2021	2020
	AED '000	AED '000
Inside UAE	10,104	61,881
Outside UAE	16,010	-
	<hr/>	<hr/>
Classified as current assets	26,114	61,881
	<hr/> <hr/>	<hr/> <hr/>

The net realisable value of the trading properties are arrived at on the basis of a valuation carried out by independent valuers. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

During the year, Board of Directors decided to write down net realisable value amounting to AED 1,393 thousand in current year (2020: Nil) based on an independent valuation of net realisable value of trading properties under development.

Certain items of trading properties are mortgaged against bank borrowings (note 18).

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13 BANK BALANCES AND CASH

	2021 AED '000	2020 AED '000
Cash in hand	17	20
Bank balances:		
- Current accounts	25,108	10,900
- Call accounts	713	185
- Current accounts – unclaimed dividends	43,140	43,268
- Term deposits	400,000	400,000
	<u>468,978</u>	<u>454,373</u>

For the purpose of consolidated statement of cash flows, cash and cash equivalent consist of:

	2021 AED '000	2020 AED '000
Cash in hand and at Bank	468,978	454,373
Less: Current accounts – unclaimed dividends	(43,140)	(43,268)
Less: Bank overdraft (note 18)	(502,785)	(430,919)
Cash and cash equivalent at the end of the year	<u>(76,947)</u>	<u>(19,814)</u>

Current accounts - unclaimed dividends will be utilised only for the payment of dividend and cannot be used for any other purposes.

Bank balances include term deposits amounting to AED 400,000 thousand (2020: AED 400,000 thousand) with a maturity period of more than three months. The effective average interest rate on deposits is 0.2 % to 1.75% per annum (2020: 1.5 % to 2% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank borrowings (note 18).

14 SHARE CAPITAL

	2021 AED '000	2020 AED '000
Authorised, issued and fully paid up 2,000,000,000 shares (2020: 2,000,000,000 shares) of par value of AED 1 each	<u>2,000,000</u>	<u>2,000,000</u>

15 STATUTORY RESERVE

In accordance with UAE Federal Law No. (2) of 2015 (as amended) and the Company's Articles of Association, 10% of net profit for the year is required to be appropriated to statutory reserve until the reserve equals 50% of paid up share capital of the Company. The reserve is not available for distribution except in the circumstances stipulated by the law. No transfer was made to statutory reserve during the current year and for the year ended 31 December 2020 as the balance in the reserve has reached 50% of paid up share capital of the Company.

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16 OTHER RESERVES

	<i>General reserve AED'000</i>	<i>Development reserve AED'000</i>	<i>Fair value reserve AED</i>	<i>Total AED</i>
At 1 January 2020	601,948	-	(216,103)	385,845
Other comprehensive income for the year	-	-	(14,321)	(14,321)
Total comprehensive income for the year	-	-	(14,321)	(14,321)
Transfer from retained earnings	11,352	-	-	11,352
At 31 December 2020	613,300	-	(230,424)	382,876
Other comprehensive income for the year	-	-	(1,866)	(1,866)
Total comprehensive income for the year	-	-	(1,866)	(1,866)
Transfer from retained earnings	20,147	303,675	-	323,822
At 31 December 2021	633,447	303,675	(232,290)	704,832

Nature and purpose of other reserves

General reserve

In accordance with the Company's Articles of Association, 10% of the net profit for the year is transferred to the general reserve. The transfer to general reserve shall cease by decision of the ordinary general meeting as recommended by the Board of Directors or if general reserve reaches 50% of the Company's paid-up share capital. General reserve shall be used for the purposes decided by the ordinary general meeting upon the suggestion of the Board of Directors.

Development reserve

In accordance with the Company's Articles of Association and pursuant to the approval of the Board of Directors, a development reserve has been created during the year which will be utilised for future development and maintenance of facilities at various properties owned by the Group. Accordingly, the management has transferred an amount of AED 303,675 thousand from retained earnings to development reserve during the current year (2020: Nil).

Fair value reserve

Fair value reserve represents the net unrealised gains or losses that are recognised on the financial assets at FVOCI.

17 EMPLOYEES' END OF SERVICE BENEFITS

	<i>2021 AED '000</i>	<i>2020 AED '000</i>
At 1 January	3,970	3,650
Charge for the year	950	616
Payments made during the year	(1,882)	(296)
At 31 December	3,038	3,970

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18 BANK BORROWINGS

	2021	2020
	AED '000	AED '000
Term loan	835,257	653,608
Bank overdraft (note 13)	502,785	430,919
Total borrowings	1,338,042	1,084,527
Less: current portion	(566,881)	(622,701)
Non-current portion	771,161	461,826

The Group has obtained overdraft facility of AED 540,000 thousand (2020: AED 540,000 thousand) from commercial banks. Interest on the overdraft, which is secured by term deposits, is 0.5% over such term deposit rates. Further, for unsecured bank overdraft, interest is computed at a fixed margin + 3 months (EIBOR). The balance outstanding as at 31 December 2021 amounted to AED 502,785 thousand (2020: AED 430,919 thousand).

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 400,000 thousand held with the bank in the name of the borrower (note 13);
- To route funds 1.5 times of the net clean limit utilised under the overdraft. (On 31 December 2021, the net clean limit utilised was AED 94,369 thousand (31 December 2020: AED 33,853 thousand)).

The Group has obtained the following loans:

- Term loan of AED 358,000 thousand from a commercial bank to finance the construction of the hotel project. This facility is repayable in 28 quarterly step up instalments for a period of 3 years 3 months from the date of first drawdown and carries an interest rate of 3 months EIBOR + fixed margin. The outstanding balance at 31 December 2021 amounted to AED 320,410 thousand (2020: AED 209,064 thousand). Available drawdown limit on 31 December 2021 amounted to AED 37,590 thousand (2020: AED 148,936 thousand).
- Term loan of AED 116,000 thousand from a commercial bank for the construction of a residential property. This facility is repayable in 6 half yearly instalments commencing 2 years 6 months from the date of first drawdown and carries an interest rate of fixed margin over 1 month EIBOR. The outstanding balance at 31 December 2021 AED 82,294 thousand (2020: AED 76,868 thousand). Available drawdown limit (net of repayment) of 31 December 2021 amounted to AED 10,384 thousand (2020: AED 19,799 thousand).
- Term loan facility of AED 250,000 thousand from a commercial bank to finance the construction of the hotel project. The facility is repayable in 30 equal quarterly instalments for a period of 2 years 9 months from the date of first drawdown and carries an interest rate of fixed margin over 3 months EIBOR. The outstanding balance at 31 December 2021 amounted to AED 112,957 thousand (2020: AED 73,627 thousand). Available drawdown limit on 31 December 2021 amounted to AED 137,043 thousand (2020: AED 176,373 thousand).
- Term loan from a commercial bank to finance the construction of the specified projects. The total facility is AED 121,753 thousand. This facility is repayable in 32 quarterly step up instalments with 30% balloon payment at maturity, commencing 90 days after the end of last drawdown or ninth quarter from the first drawdown date, whichever is earlier and ending on the final maturity date. The facility carries an interest rate of fixed margin over 3 months EIBOR. The outstanding balance at 31 December 2021 amounted to AED 113,993 thousand (2020: AED 119,303 thousand). There is no available drawdown limit (net of repayment) as on 31 December 2021 (2020: Nil).
- Term loan facility of AED 185,000 thousand from a commercial bank to finance the construction of residential villas project. The facility is repayable in 19 equal quarterly instalments commencing 2 years 6 months from the date of first drawdown and carries an interest rate of fixed margin over 1 months EIBOR. The outstanding balance at 31 December 2021 amounted to AED 162,999 thousand (2020: AED 65,507 thousand). Available draw down limit on 31 December 2021 AED 22,001 thousand (2020: AED 119,493 thousand).
- Term loan facility of AED 67,000 thousand from a commercial bank to finance the construction of residential project. The facility is repayable in 32 equal quarterly instalments commencing 2 years 3 months from the date of first drawdown and carries an interest rate of fixed margin over 3 months EIBOR. The outstanding balance at 31 December 2021 amounted to AED 42,604 thousand (2020: AED 55,914 thousand). There was no available draw down limit (net of repayment) on 31 December 2021. (2020: AED 11,086 thousand).

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18 BANK BORROWINGS (continued)

As at 31 December 2021, the Group is subject to compliance with certain financial covenants, such as maintenance of certain restrictive covenants including maintaining Debt to EBITDA ratio. The Group has complied covenants mentioned in those agreements in the current year.

Loans are secured against the following:

- Legal mortgage of land and buildings of specific properties included in property and equipment, investment properties, investment properties under development, trading properties under development and trading properties (note 6, 7, 8 and 12)
- Assignment of insurance over the mortgaged properties in favour of the bank.
- Assignment of guarantees from the main contractor/construction contracts under the project duly assigned in favour of the bank.
- Assignment of revenues from the hotel projects financed by the banks.
- Assignment of revenues from sale of apartments and rental revenues from the apartments financed by the bank.
- Pledge of project account opened with the bank for receiving the project receipts from buyers.

19 TRADE PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Trade payables	100,279	64,822
Project accruals	40,906	80,855
Contract liabilities (note 20)	37,388	35,023
Unclaimed dividends	43,140	43,268
Other payables and accruals	141,256	111,514
	<hr/>	<hr/>
At 31 December	362,969	335,482
Less: Non-current portion	(33,040)	(31,009)
	<hr/>	<hr/>
Current portion	329,929	304,473
	<hr/> <hr/>	<hr/> <hr/>

Trade payables includes amounts due to a related party of AED 52,122 thousand (2020: AED 34,258 thousand) (note 26).

20 REVENUE

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Type of revenue from contracts with customers		
Sale of properties	459,647	186,743
Facility management income	26,013	25,430
Forfeiture income	1,315	3,287
	<hr/>	<hr/>
Total revenue from contracts with customers	486,975	215,460
Other operating income		
Leasing income (note 7)	28,649	28,039
	<hr/>	<hr/>
Total revenue	515,624	243,499
	<hr/> <hr/>	<hr/> <hr/>

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20 REVENUE (continued)

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Timing of revenue recognition		
Recognised at a point in time	66,596	105,858
Recognised over time	420,379	109,602
Total revenue from contracts with customers	486,975	215,460
Leasing income	28,649	28,039
Total revenue	515,624	243,499

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Contract balances		
Trade receivables (note 11)	244,055	286,260
Contract assets (note 11)	417,655	66,315
Contract liabilities (note 19)	37,388	35,023

Contract assets

Contract assets are initially recognised for revenue earned from sale of undeveloped properties as receipt of consideration is conditional on acceptance of the customer. Upon acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As such, the balance of this account vary and depend on the number of ongoing development projects at the end of the year.

Contract liabilities

Contract liabilities represent advances received from customers to deliver projects and advances for rental of properties.

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Within one year	40,054	92,996
More than one year	36,797	62,681
	76,851	155,677

During previous year, as a result of the economic fallout of Covid-19 crisis, the Group had launched certain initiative which aligns with the Government of Ras Al Khaimah's efforts to support all the investors and stakeholders. This includes providing relief measures like waiver of rental payments for its retail tenants in Mina Al Arab and Julphar Tower projects for a period of three months. No such waivers were provided to the customers during the year (2020: AED 1,374 thousand).

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21 COST OF REVENUE

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Cost of sale of properties	293,867	132,981
Facility management expenses	25,339	23,890
Leasing expenses	1,193	2,311
Others	293	339
	<u>320,692</u>	<u>159,521</u>

Facility management expenses include depreciation expense amounting to AED 1,550 thousand (2020: AED 1,356 thousand) (noted 6).

22 OTHER INCOME

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Government grant income (note 7)	58,169	45,213
Gain on disposal of investments	5,000	-
Others	4,032	3,407
	<u>67,201</u>	<u>48,620</u>

23 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Payroll and related expenses	19,208	19,672
Depreciation of property and equipment (note 6)	8,482	9,349
Advertisement and marketing expenses	6,595	4,994
Deposits written off	6,264	-
Impairment of trading properties under development (note 9)	254	-
Impairment of trading properties (note 12)	1,393	-
Other expenses	5,541	5,640
	<u>47,737</u>	<u>39,655</u>

No contribution for social contributions was made during the year (2020: nil).

24 FINANCE COSTS

	<i>2021</i> <i>AED '000</i>	<i>2020</i> <i>AED '000</i>
Interest on borrowings	11,866	17,651
Bank charges	847	1,337
	<u>12,713</u>	<u>18,988</u>

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25 EARNINGS PER SHARE

The information necessary to calculate basis and diluted earnings per share is as follows

	2021 AED '000	2020 AED '000
Profit for the year (AED'000)	<u>201,473</u>	<u>113,522</u>
Number of shares (in'000)	<u>2,000,000</u>	<u>2,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.10</u>	<u>0.06</u>

There was no dilution effect on the basic earnings per share, as the Company does not have any such outstanding commitments as at the reporting dates.

26 RELATED PARTY TRANSACTIONS AND BALANCES

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24.

a. *The significant transactions entered into by the Group with related parties during the year are as follows:*

	2021 AED '000	2020 AED '000
<i>Key management personnel of the Group (Director's interests):</i>		
Sub-contracting and purchase of services	321,858	198,912
Sale of properties	<u>3,057</u>	<u>-</u>

b. *Balances with a related party is as follows:*

	2021 AED '000	2020 AED '000
Due to a related party - trade payables (note 19)	<u>52,122</u>	<u>34,258</u>
Due from related parties – trade receivables, prepayments and other receivables (note 11)	<u>779</u>	<u>35,142</u>

Outstanding balances at the year-end arise in the normal course of business, are unsecured, interest-free and settlement occurs generally in cash.

c. *Compensation of key management personnel:*

The remuneration of directors and other key members of management during the year is as follows:

	2021 AED '000	2020 AED '000
Salaries and benefits	5,076	5,303
End of service benefits	319	298
Board of Directors' remuneration	<u>3,000</u>	<u>4,000</u>
	<u>8,395</u>	<u>9,601</u>

The Directors have proposed the Board of Directors' remuneration of AED 6,000 thousand (2020: AED 3,000 thousand). This is subject to approval by the Shareholders at the Annual General Meeting and have not been included as a liability in these consolidated financial statements.

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27 COMMITMENTS

Commitments relating to the property development are as follows:

	2021 AED '000	2020 AED '000
Approved and contracted	275,635	540,777

The above commitments represents the value of contracts entered into by the Group including contracts entered for construction of properties, net of invoices received and accruals made at that date.

The above includes commitments to a related party of AED 9,937 thousand (2020: AED 217,630 thousand) (note 26).

28 DIVIDENDS

The Board of Directors have not proposed any dividend for the year ended 31 December 2021 (2020: Nil). This is subject to approval by the Shareholders at the Annual General Meeting.

29 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used. There has been no change in the valuation techniques and methods applied from previous year.

Financial assets

Type	Valuation techniques and key inputs	Significant unobservable inputs	Inter-relationship of unobservable inputs to fair value
Unquoted equity investments and funds at FVOCI	Net assets/ adjusted net asset value valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. Wherever information is available.	Net assets value/ Market approach	Higher the net assets value of the investees, higher the fair value.
Unquoted investments at FVTPL	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. Market approach is applied wherever information is available.	Net assets value	Higher the net assets value of the investees, higher the fair value.

RAK Properties PJSC and its subsidiaries
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29 FAIR VALUE MEASUREMENTS (continued)

Fair value measurements recognised in the consolidated statement of financial position

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

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

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
2021				
Fair value through other comprehensive income				
<i>Unquoted equities and funds</i>	-	-	50,243	50,243
<i>Quoted equity securities</i>	40,979	-	-	40,979
Financial assets carried at FVTPL	2,975	-	6,112	9,087
Investment properties	-	-	1,568,192	1,568,192
Investment properties under development	-	-	65,197	65,197
	<u>43,954</u>	<u>-</u>	<u>1,689,744</u>	<u>1,733,698</u>
	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
2020				
Fair value through other comprehensive income				
<i>Unquoted equities and funds</i>	-	-	73,468	73,468
<i>Quoted equity securities</i>	19,916	-	-	19,916
Financial assets carried at FVTPL	3,663	-	9,169	12,832
Investment properties	-	-	2,475,237	2,475,237
Investment properties under development	-	-	311,642	311,642
	<u>23,579</u>	<u>-</u>	<u>2,869,516</u>	<u>2,893,095</u>

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

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29 FAIR VALUE MEASUREMENTS (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

	At amortised cost AED '000	Fair value through profit or loss AED '000	Fair value through other comprehensive income AED '000	Total AED '000
Financial assets				
31 December 2021				
Investments	-	9,087	91,222	100,309
Trade and other receivables*	242,198	-	-	242,198
Bank balances	468,978	-	-	468,978
	<u>711,176</u>	<u>9,087</u>	<u>91,222</u>	<u>811,485</u>
31 December 2020				
Investments	-	12,832	93,384	106,216
Trade and other receivables*	296,607	-	-	296,607
Bank balances	454,373	-	-	454,373
	<u>750,980</u>	<u>12,832</u>	<u>93,384</u>	<u>857,196</u>

* Excluding contract assets, prepayments and VAT receivable.

	At amortised cost AED '000	Fair value through profit or loss AED '000	Total AED '000
Financial liabilities			
31 December 2021			
Bank borrowings	1,338,042	-	1,338,042
Trade payable, accruals and other liabilities	325,581	-	325,581
	<u>1,663,623</u>	<u>-</u>	<u>1,663,623</u>
31 December 2020			
Bank borrowings	1,084,527	-	1,084,527
Trade payable, accruals and other liabilities	300,459	-	300,459
	<u>1,384,986</u>	<u>-</u>	<u>1,384,986</u>

RAK Properties PJSC and its subsidiaries
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30 FINANCIAL RISK MANAGEMENT

30.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities on the following financial assets:

Trade receivables

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored. At 31 December 2021 and 2020, the Group had receivables from a large number of customers.

The Group is exposed to credit risk on receivables from sale of properties as the Group allows its customers to make payments in instalments over a period of 1 to 12 years. In order to mitigate the credit risk, the Group receives advances from its customers at the time of the sale and post-dated cheques for the remaining balance at the time of hand over. In addition, the Group does not transfer the legal title of the property to the customer until the full amount has been paid. Furthermore, the risk of financial loss to the Group on account of customer default is low as the property title acts as collateral.

The Group considers a trade receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a trade receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables disclosed in note 11.

The Group evaluates the concentration of risk with respect to trade receivables as low, as the balances are due from a large number of customers. Set out below is the information about the credit risk exposure on the Group's trade receivables using the expected credit loss:

31 December 2021

	Total AED' 000	Neither past due nor impaired AED' 000	Past due but not impaired			
			0-30 days AED' 000	30-60 days AED' 000	60-90 days AED' 000	>90 days AED' 000
Expected credit loss rate	6.7%	5.3%	5.3%	5.3%	5.3%	50.6%
Estimated total gross carrying amount at default	244,055	196,225	37,549	2,011	466	7,804
Expected credit loss	16,417	10,354	1,981	106	25	3,951

31 December 2020

	Total AED' 000	Neither past due nor impaired AED' 000	Past due but not impaired			
			0-30 days AED' 000	30-60 days AED' 000	60-90 days AED' 000	>360 days AED' 000
Expected credit loss rate	3.4%	2.3%	2.3%	2.3%	2.3%	27.5%
Estimated total gross carrying amount at default	286,260	235,430	26,684	2,083	8,854	13,209
Expected credit loss	9,791	5,308	602	47	200	3,634

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30 FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

Trade receivables (continued)

The ECL model was reassessed for the impact of Covid-19 mainly the operational disruption faced by the tenants, volatility in potential economic conditions, incidence of defaults etc. which may likely lead to increase in the ECL allowance for trade receivables in line with the requirements of IFRS 9 Financial Instruments. This is mainly due to increase in the counterparty risk (risk of default) of tenants and customers. The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

Bank balances

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group considers the credit risk on bank balances to be minimal given that the counterparties are banks with high credit ratings assigned by international credit rating agencies. Considering these factors, management has assessed there is minimal credit risk on cash and cash equivalents.

Other receivables

With respect to credit risk arising from other receivables, the Company's exposure to credit arises from default of the counterparty with maximum exposure equal to the carrying amount of these assets.

30.2 Liquidity risk

At 31 December 2021	Carrying amount AED' 000	Contractual cash flows AED' 000	Less than 1 year AED' 000	More than 1 year AED' 000
Trade payable, accruals and other liabilities	325,581	325,581	325,581	-
Bank borrowings	1,338,042	1,457,262	599,417	857,845
	<u>1,663,623</u>	<u>1,782,843</u>	<u>924,998</u>	<u>857,845</u>
At 31 December 2020	<i>Carrying amount AED' 000</i>	<i>Contractual cash flows AED' 000</i>	<i>Less than 1 year AED' 000</i>	<i>More than 1 year AED' 000</i>
Trade payable, accruals and other liabilities	300,459	300,459	300,459	-
Bank borrowings	1,084,527	1,147,259	643,200	504,059
	<u>1,384,986</u>	<u>1,447,718</u>	<u>943,659</u>	<u>504,059</u>

Changes in liabilities arising from financing activities

At 31 December 2021:

	1 January 2021 AED' 000	Net cash inflows AED' 000	Net cash out flows AED' 000	31 December 2021 AED' 000
Bank borrowings (excluding bank overdraft)	653,608	257,583	(75,934)	835,257
Unclaimed dividend	43,268	-	(128)	43,140
	<u>696,876</u>	<u>257,583</u>	<u>(76,062)</u>	<u>878,397</u>

RAK Properties PJSC and its subsidiaries
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30 FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

Changes in liabilities arising from financing activities (continued)

At 31 December 2020:

	1 January 2021 AED' 000	Net cash inflows AED' 000	Net cash out flows AED' 000	Other non- cash items AED' 000	31 December 2021 AED' 000
Bank borrowings (excluding bank overdraft)	466,419	242,965	(55,775)	-	653,608
Unclaimed dividend	47,023	-	(83,755)	80,000	43,268
	<u>513,442</u>	<u>242,965</u>	<u>(139,530)</u>	<u>80,000</u>	<u>696,876</u>

30.3 Equity price risk

The majority of investment held by the Group is in unquoted equities. The unquoted equity securities are valued by experts at each reporting date. Equity price risk is the risk that the fair values of equities increase or decrease as a result of changes in the levels of individual stocks. Equity price risk arises from equity instruments held by the Group at fair value through other comprehensive income and fair value through profit and loss. Management of the Group monitors equity securities in its investment portfolio based on market indices, which are managed by qualified team. The primary goal of the Group's investment strategy is to maximise investment returns.

30.4 Interest rate risk

The Group is mainly exposed to interest rate risk on its variable rate instruments i.e. borrowings. These are subject to normal commercial rates of interest, as determined by market conditions.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is as under:

	2021 AED '000	2020 AED '000
Fixed rate instruments		
<i>Financial assets</i>		
Fixed deposits	<u>400,000</u>	<u>400,000</u>
Variable rate instruments		
<i>Financial liabilities</i>		
Bank borrowings	<u>1,338,042</u>	<u>1,084,527</u>

Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) the consolidated equity and the consolidated profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant.

	Consolidated profit or loss	
	100 bp increase AED '000	100 bp decrease AED '000
31 December 2021		
Variable rate instruments	<u>(13,380)</u>	<u>13,380</u>
31 December 2020		
Variable rate instruments	<u>(10,845)</u>	<u>10,845</u>

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31 SEGMENT INFORMATION

Management has determined the operating segments based on segments identified for the purpose of allocating resources and assessing performance. The Group is organised into three major operating segments: property sales, property leasing and facility management income. Information regarding the operations of each separate segment is included below.

	<i>Property sales</i> <i>AED '000</i>	<i>Property leasing</i> <i>AED '000</i>	<i>Facility management income</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
For the year ended 31 December 2021				
Revenue	460,961	28,649	26,013	515,623
Costs	(293,867)	(1,193)	(25,631)	(320,691)
Segment profit	167,094	27,456	382	194,932
Total assets	2,495,700	1,633,388	2,085,230	6,214,318
Total liabilities	450,679	284,493	13,71,736	2,106,908
Capital expenditure	-	11,983	266,063	278,046
	<i>Property sales</i> <i>AED '000</i>	<i>Property leasing</i> <i>AED '000</i>	<i>Facility management income</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
For the year ended 31 December 2020				
Revenue	190,030	28,039	25,430	243,499
Costs	(132,981)	(2,311)	(24,229)	(159,521)
Segment profit	57,049	25,728	1,201	83,978
Total assets	1,133,395	2,786,879	1,875,536	5,795,810
Total liabilities	367,920	295,981	1,221,106	1,885,007
Capital expenditure	-	160,061	430,952	591,013

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2021

First, Measures taken to complete the corporate governance system during 2021 and how to implement them:

RAK Properties has been implementing and adopting Corporate Governance laws and regulations since 2009. The Corporate Governance Report for the year 2009 was issued in June 2010 and published on the Securities and Commodities Authority website. The Corporate Governance Report for the year 2010 was published in February 2011. 2011 report was issued in March 2012 and published on the Securities and Commodities Authority website and the Company's website. Governance reports for the years 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 were issued and published on the Securities and Commodities Authority website and the Company's website. This report, the thirteen report, is for the year 2021.

RAK Properties believes in the necessity and importance of practical application of the principles and laws of governance and standards of institutional discipline in a precise manner and in line with the interests of the Company and its shareholders because these laws and controls have positive effects that benefit all parties. RAK Properties believes that adherence to the principles and rules of governance will preserve its funds and those of shareholders due to the transparency standards and efficiency guaranteed by such principles that defend the Company's reputation and secure the shareholders' trust in its Board of Directors leading to production boosting.

Therefore, RAK Properties abides, in all its activities and transactions, by compliance standards by implementing the resolutions, statutes, rules and regulations related to the organization and management of public joint stock companies and mostly based on the Federal Law No. (2) of 2015 on Commercial Companies and its subsequent amendments came in the decree by federal law no 26 of 2020 amending some provisions of the federal commercial companies law no (2) of 2015, interpretations or directives that have been further issued in all its activities and transactions to date by the Securities and Commodities Authority and competent official authorities in the UAE.

RAK Properties is pleased to confirm its commitment to the implementation of the provisions contained in the law No. 3 of 2020 concerning Approval of Joint Stock Companies Governance Guide as the latest legislation in this regard. The most important measure taken by the Company in implementation of this regulation is the periodic disclosure of the Board's meeting dates more than two working days in advance, and the disclosure of the results of the meeting immediately thereafter.

RAK Properties has also committed to the disclosure standards of financial statements relating to the Company for every quarter during 2021, which was performed on time and under the supervision of the Stock Market and the Commodities and Services Authority. Moreover, pursuant to law provisions, Board Members have not received any representation or attendance allowances for attending the Board meetings. However, some of them have received attendance allowances for attending the meetings of the Board committees, as hereinafter detailed, as an effort added to the normal assignment of a Board member.

The current session started with the decision of the AGM by issuing special resolution to amend the Articles of Association on April 3, 2021 at the ordinary general assembly meeting of the Company, in particular to reduce the number of board members from 9 to 7 members. The current session of the Board expires on March 2024.

Second, Transactions performed by the Board Members, their spouses or sons regarding the securities of the Company during the year 2021:

The Board of Directors and its Executive Management abide by the rules and procedures governing the transactions performed by the Board members and Company's employees who have information by virtue of their positions in order to improve the level of transparency and disclosure and allow the shareholders to be equal in their transaction regarding the shares of the Company.

The Company has provided the stock market with a list of names of the Company Chairman and Board Members as well as an updated list of the insiders from the executive management and heads of departments in order for these insiders to comply with the procedures established by the market and the Authority through receiving the approval of the director of the stock market on any transactions conducted regarding the Company's security (The Company share) whether by selling or buying and through the trading floor or family transfers in the management of the clearing.

Furthermore, the Stock Market Department automatically suspends, through its electronic system, all those listed in the insiders list from trading, through buying or selling, in the Company's shares fifteen days in advance until the disclosure of the required financial results for each period. This procedure is automatically performed by the market system and the Securities and Commodities Authority.

If any insider wishes to buy or sell the Company shares during the grace period (outside the suspension periods), he/she must submit an application in accordance with the forms approved by the Abu Dhabi Securities Exchange and its financial intermediary.

It is worth noting that RAK Properties has obligated all its employees to follow the procedures of the stock market in this regard, emphasizing, from time to time, the importance of applying and abiding by these laws as well as any new laws, resolutions and circulars issued by the Market and the Authority governing these transactions.

The measures are aimed at maintaining the Company reputation and enhancing the confidence of shareholders and investors so that the Company Board of Directors and employees do not exploit the information that may be available for them before the others to achieve material gains at the expense of the others. Therefore, the Company applies all the regulations issued or to be issued in the future by the Securities and Commodities Authority and Abu Dhabi Securities Exchange.

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During 2021, the following Board Members or their relatives up to the first degree traded in the shares during the grace periods according to the following table:

No.	Name	Position / relationship	Shares held as of 31/12/2021	Total purchase during 2021	Total sales during 2021
1	Abdulaziz Abdullah Salem Al Zaabi	Chairman	1,000,000	-	-
2	Mohamed Ahmed Ali Hassan Ruqait Al-Ali	Vice-Chairman	76,299,273	61,406,429	149,679,970
3	Sheikh Ahmed Omar Abdullah Al Qassimi	Board Member	200,000	-	-
4	Mohammed Mosabeh Al Nauimi	Board Member	20,000	20,000	-
5	Mohamed Ghobash Ahmed Al Marri	Board Member	-	-	-
6	Abdulla Rashid Jasem Al Abdouli	Board Member	100,000	100,000	-
7	Yaser Abdulla Mohamed Al Ahmad	Board Member	10,000	10,000	-

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Third, Formation of the Board of Directors:

A. Composition of the Board of Directors and its Chairman and Members' details, experience and qualifications:

Pursuant to AGM resolution dated 3/4/2021, the Board of Directors of the Company shall be composed of seven (7) Board Members elected by the Ordinary General Assembly of the Company by secret vote. The term of the Board shall be three years. Therefore, Board of Directors of the Company was elected for the sixth session during the Company's Annual Meeting on Saturday, 3 April 2021 and thus the Board has spent about three years until the preparation of this report.

The Board consists of seven Members are well known for their long and varied experience and high efficiency. The Board still exercises its powers to date as the term of the current Board ends on March 2024. The following is the Board's composition according to the categories of its members and their details, experiences and qualifications:

No	Position	Name	Category	Experiences	Qualifications	The duration of his/her tenure as a Company Board Member.	Their membership and positions at any other joint stock companies	Their other important regulatory, governmental or commercial positions.
1	Chairman	Abdulaziz Abdullah Al Zaabi	Independent.	He has very rich experience in the field of business Administration in Real estate and banking sector and real estate and banking investments. He also has considerable experience in Federal National Council (FNC) affairs.	Holds a BA in International Business Administration from San Jose State University, USA, 1987.	17 years	Chairman of Al Khaleej Investment Board Member of Julphar pharmaceutical company	Second Vice President of the Federal National Council (FNC). Chairman of Ras Al Khaimah Charity Association Chairman of RAK Properties
2	Vice-Chairman	Mohamed Ahmed Ruqait	Independent.	He has extensive experience in the field of real estate, construction, development and investment, and has held several positions, most notably being a Federal National Council (FNC) member.	Graduated from the Royal Navy College	15 years	Non	Chairman of Al Ali Construction & Development Company Owner of Mohamed Ruqait Properties Board Member of RAK Properties
3	Board Member	Sheikh Ahmed Bin	Independent	Has more than ten years of experience in management and business administration.	Holds a Master's degree in Business Administration from the Canadian University Dubai	7 years	Non	Board Member, RAK Properties

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4	Board Member	Mohammed Mosabeh Al Naujimi	Independent.	One of the pioneers in the banking operations and business in the United Arab Emirates with more than 30 years of experience, one of the main contributors to setting the rules of Islamic finance and Islamic insurance, and an expert specializing in the affairs of listing public joint stock companies and holding several positions at the state level	Master of BA	1 year	Board Member of CBI, CEO of Mawared Company	Chairman of Chamber of Commerce, Board Member, RAK Properties
5	Board Member	Mohamed Ghobash	Independent	Senior Manager, Private Wealth Management, National Bank of Abu Dhabi And he worked for many years in Abu Dhabi for financial services	High Diploma from Higher College of Technology	1 year	Board Member of United Fidelity	Board Member of RAK Properties
6	Board Member	Abdulla Rashid Jaseem Al Abdouli	Independent.	He has extensive experience in the field of architecture and urban planning, and an active element in the field of entrepreneurship, innovation and stimulating the attraction of foreign investments.	BA in Architecture from the American University of Sharjah MA in Urban and Regional Planning from Paris-Sorbonne University Abu Dhabi Holds a Certificate in Investment Strategies in Real Estate Development from Harvard University	1 year	Non	Vice Chairman and Managing Director of Ras Al Khaimah Bulldozers Company CEO of Marjan Corporation Member of the Board of Directors and General Manager of Saraya Ras Al Khaimah Company Member of the Board of Directors of Ras Al Khaimah Real Estate Company.
7	Board Member	Yaser Abdulla Mohamed Al	Non-Executive	He has experience in the field of banking, as he worked for the National Bank of Ras Al-Khaimah and Dubai Islamic Bank, and worked in a telecommunications company, and the Ras Al-Khaimah Economic Zones Authority (RAKEZ).	Holds a Bachelor of Arts degree	1 Year	None	Board Member of RAK Properties Head of Government Communications Department at Ras Al Khaimah Economic Zones Authority

B) Women's representation in the Board of Directors for the year 2021:

Under the Company's Articles of Association, the Board of Directors elected by the Ordinary General Assembly by secret vote. The number and percentage of male and female members was as follows:

Women are not represented according to the following table:

Gender	Number	Percentage
Male Board Members	7	100%
Female Board Members	0	0%

C) Reasons why no woman run for Board Membership election.

RAK Properties believes in the importance of women's participation in the development process and the need for their participation in companies' boards of directors. During the previous Boards terms, candidacy for the Board of Directors membership was made available for both sexes without any discrimination. However, no woman runs for Board membership election for the Board' previous sessions.

D) Board Members Remuneration and attendance allowance for attending the meetings of the Board and its committees:

1. Total of Board Members' remuneration paid for the year 2020:

The remuneration paid to the Chairman and Board Members for the year 2020 amounted to AED 3 Million Dirhams which was presented to the shareholders' General Assembly held on April 3, 2021 and received its approval.

2. Total of Board Members' remuneration proposed for the year 2021, which will be presented at the Annual Meeting for approval:

Pursuant to the federal laws and governance rules, Board remuneration shall not exceed 10% of the net profit, provided not exceeding 10% of such profits for the financial year. The Company may also pay the expenses, fees, bonus or a monthly salary as determined by the Board of Directors for any of its members if such member is working for any committee, makes special efforts or performs additional work to serve the Company above his normal duties as a Company Board Member in accordance with the Board of Directors' decision No. 3 of 2020 concerning Approval of Joint Stock Companies Governance Guide.

Board Members propose to the General Assembly a bonus of 6 million Dirhams (AED 750,000 for every member and AED 1.5 Million for the Chairman to be distributed among them for the year 2021 and the board members propose not to distribute dividends for the year 2021.

3. Attendance allowance received by the Board Members for attending the meetings of the Board committees for the fiscal year 2021 are as detailed in following table:

No.	Name	Position	Attendance allowance for attending the meetings of the Board's committees				
			Executive and Investment Committee (EIC)	Nominations and Remunerations Committee (NRC)	Audit committee	Total of allowance value	Number of meetings
1	Mr. Abdulaziz Abdullah Al Zaabi	Chairman	10,000 (2 meetings prior to the date of electing new board)	-	-	20,000	2
2	Mr. Mohamed Ahmed Ruqait	Vice-Chairman	5,000 (2 meetings prior to the date of electing new board)	5,000 (5 meetings prior to the date of electing new board)	-	35,000	7
3	Sheikh Ahmed Omar Al Qassimi	Board Member, Chairman of NRC, Member of EIC	5,000 (9 meetings prior to the date of electing new board)	5,000 (9 meetings prior to the date of electing new board) 10,000 (4 meetings as per the new board formation)	-	110,000	18
4	Mohammed Mosabeh Al Nauimi	Board Member, Chairman of audit and member of NRC		4 Meetings	4 Meetings	55,000	8
5	Abdulla Rashid Jasem Al Abdouli	Board Member, chairman of EIC	10,000 (8 Meetings)	-	-	80,000	8
6	Mohamed Ghobash Ahmed Al Marri	Board Member, Member of Audit & EIC	5,000 (8 meetings)	-	5,000 (4 meetings)	60,000	12
7	Yaser Abdulla Mohamed Al Ahmad	Board Member, Member of Audit & NRC	-	4 meetings	3 meetings	40,000	7

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4. Details of the allowances, salaries, or additional fees that a member of the Board of Directors received other than the fees for attending the committees and their reasons:

None

E. Number of Board meetings during 2021:

During the fiscal year 2021 ended 31 December 2021, the Board held 8 meetings as follows:

No.	Meeting date	Personal Attendance	Attendance by Proxy	Names of Absent Members/ sent their apologies
1	Meeting no 1/2021 on 20/2/2021	9	-	-
2	Meeting no 2/2021 on 3/4/2021	7	-	-
3	Meeting no 3/2021 on 10/4/2021	6	-	Mohammed Al Nuaimi did not attend
4	Meeting no 4/2021 on 2/5/2021	6	-	Mohamed Ahmed Ruqait did not attend
5	Meeting no 5/2021 on 17/6/2021	6	-	Yaser Abdulla Al Ahmad did not attend
6	Meeting no 6/2021 on 31/7/2021	7	-	
7	Meeting no 7/2021 on 18/9/2021	6	-	Mohamed Ahmed Ruqait did not attend
8	Meeting no 8/2021 on 30/10/2021	7	-	-
9	Meeting no 9/2021 on 14//12/2021	7	-	-

Chairman and Board Members Personal attendance was as follows:

Name	Attendance
Abdulaziz Abdullah Al Zaabi	9
Mohamed Ahmed Ruqait	7
Sheikh Ahmed Bin Omar Al Qassimi	9
Mohammed Mosabeh Al Nauimi	7
Abdulla Jasem Al Abdouli	8
Nawwaf Ghobash Al Marri	8
Yaser Abdulla Al Ahmad	7

F. Functions and powers assigned by the Board of Directors to the Executive Management:

General authorization issued by the RAK Properties' Board of Directors based on the articles of association of RAK Properties "Company" and the Board of Directors General Authorization notarized by Notary Public under no. 7536 dated 22/4/2021, for CEO to represent the Company before all departments; authorities; private, official or nonofficial entities; companies; establishments and private sector establishments. They also appointed him to sign all transactions and papers necessary for the completion of the Company's business in all governmental, non-governmental and private entities, banks and financial institutions. His powers include also representing the Company and signing on its behalf in all financial, administrative, legal and judicial matters. In addition, he is authorized to purchase shares and stocks in existing or under

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establishment companies, participate in their management, take decisions regarding them, manage all their financial, administrative, legal and judicial affairs.

The Board of Directors also decided to authorize Mr. Mohammed Abdul Razzaq Al Tair to sign contracts containing the arbitration clause and conclude and sign the arbitration agreements with any party in the name of the Company and on its behalf. He is authorized to take all the necessary procedures in this regard including appointing and challenging arbitrators and experts, do reconciliation and waiver and take all other procedures related to arbitration which require special authorization under the law pursuant to provisions of Article 25 of the Company's Articles of Association, and all the measures taken in this regard in light of the Company's Articles of Association provisions.

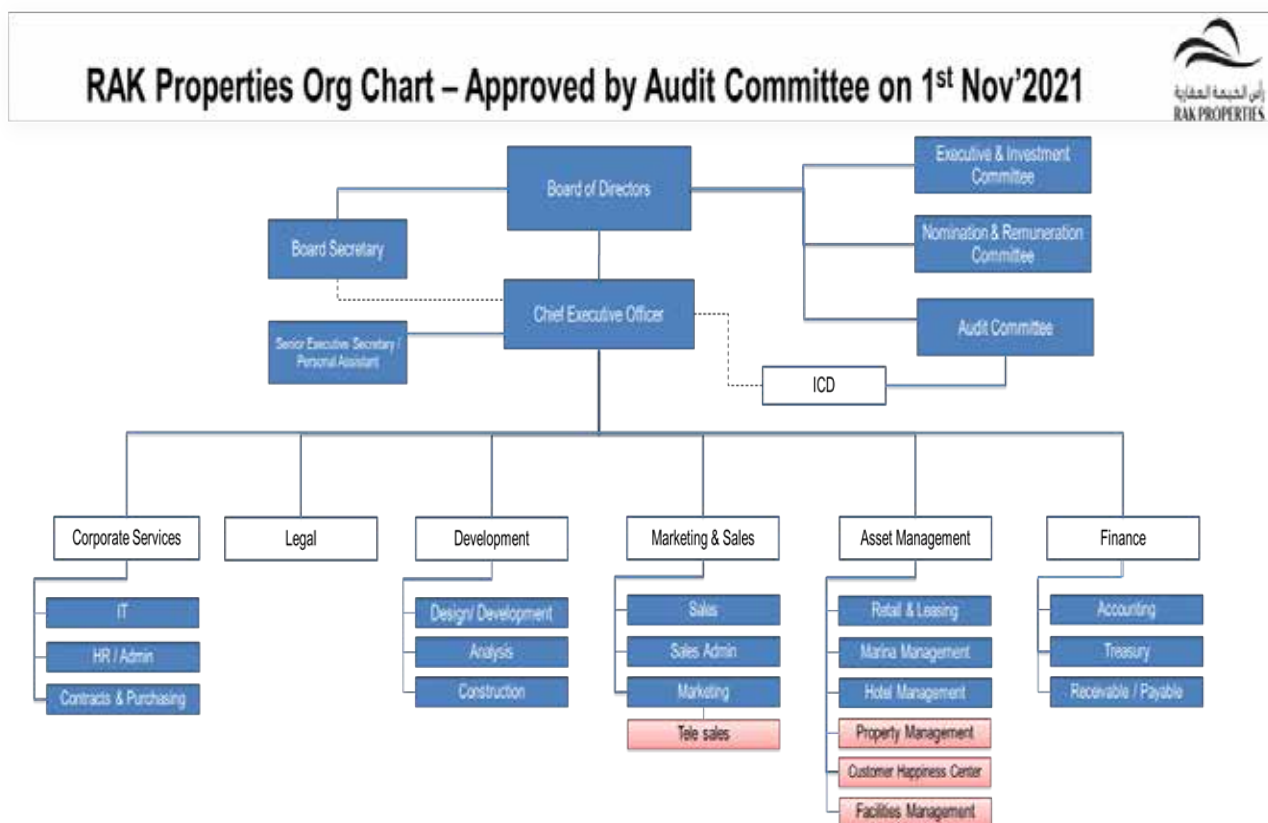
G. Related Party Transactions (Stakeholders)

Statement of the related Party	Clarification of the Nature of the Transactions	Type of transaction	Value of Transaction
<p>1) Mr. Mohamed Ahmed Ruqait Al-Ali is a member of the Board of Directors of RAK Properties and he is major shareholder RAK Properties PJSC, holding 3.75%.</p> <p>2) He is also a partner in Al-Ali Construction and Development Company which is owned by the following: - Muhammad Ahmad Raqait Al-Ali, as a partner, with a percentage of 1%. Mohamed Ruqait Holding LLC as a 99% partner</p>	<p>Among the projects of RAK Properties is the project of Marbella Villas, whose number is 206 villas, with a value of 214 million dirhams. The Al-Ali Company is considered one of the qualified companies out of the six companies that have been qualified, as Al-Ali submitted the lowest offers, and the tender went through a number of followed steps as a regular tender that is confidential and transparent and ended with the approval of the Board of Directors to award the project to Al-Ali Company, RAK Properties seeks to Comply with corporate governance in presenting the matter to the general assembly for this year 2020, with a statement of the most important details that the company has taken to ensure the transparency of the contract and protect the rights of its shareholders, where such matter has been presented to the AGM last year dated 21/3/2020 and the AGM has approved to award the contract.</p> <p>During the year 2021, RAK Properties paid an amount of AED 160,904,856 dues to the Intercontinental Hotel project, for Al Ali Construction and Development Company, and 152,466,980 dues were paid to the Marbella Villas project.</p> <p>Also, RAK Properties has entered into contract with Ms. Mohamed Ruqiat Real Estate to rent accommodation for the employees of Intercontinental Hotel for an amount of AED 8,485,714 per year</p>	<p>Building Contracting and Construction of 206 villas for 214 Million Dirhams</p> <p>rent accommodation for the employees of Intercontinental Hotel for an amount of AED 8,485,714 per year</p>	<p>AED 214 Million Dirhams</p> <p>AED 8,485,714 per year</p>

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2) Mr. Yaser Abdulla Al Ahamd is a Board Member of RAK Properties and shareholder in RAK Properties and owner of 10,000 shares	Mr. Yaser Abdulla Al Ahamd has purchased 2 plots no. 32 & 33 in Al Marsa Project for an amount of AED 3,057,000	Purchase of 2 plots	AED 3,057,000
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H. Company's Organizational Structure:



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I. Details of the Company's senior executives

Name	Position	Date of appointment	Total salaries and remunerations paid for the year 2021 in Dirhams	Total bonuses paid for the year 2021 in Dirham	Any other cash / in-kind bonuses for 2021 or due in the future
Mr. Mohammed Al Tair	Acting CEO & Chief Operating Officer	17/2/2008	1,307,859	It will be presented to the Nomination and Remuneration Committee	-
Mr. Mohammed Al Assadi	Chief Financial Officer	1/9/2021	259,813	It will be presented to the Nomination and Remuneration Committee	-
Mr. Joseph Maroky	EX- Chief Financial Officer	5/12/2005	770,933	It will be presented to the Nomination and Remuneration Committee	-
Mr. Omar Al Ali	Chief Support Services Officer	20/8/2017	877,815	It will be presented to the Nomination and Remuneration Committee	-
Mr. Maen Abdol Kareem	Legal advisor and Secretary of the Board of Directors	1/10/2019	561,060	It will be presented to the Nomination and Remuneration Committee	-
Mr. Ali Hamdoon	Director of Sales	1/9/2019	1,099,152	It will be presented to the Nomination and Remuneration Committee	-
Mr. Ahmad Lotah	Director of Asset Management	7/2021	305,274		
Mladen Marendic	Director of Development	6/2017	213,029		

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Fourth: External Auditor:

a. About the Company's auditor and details of audit and other services' fees and costs:

Ernst & Young is one of the most experienced external auditing firms accredited by the Ministry of Economy. **Ernst & Young** was appointed the Company's External Auditor for the year 2021 by the approval of the General Assembly in its meeting dated 3/4/2021 and their auditing fees are AED 290,000 + VAT shall be on the expense of RAK Properties. It is independent of the Company and the Board of Directors. It is not a partner or agent of any of the Company's founders, Board Members or any of their relatives to the fourth degree. All the work performed by the external auditor is free from any conflict of interest. The Company complies with all terms and conditions related to the External auditor pursuant to the provisions of the law No. 3 of 2020.

b. Fees and costs for auditing and services performed by the External Auditor:

Name of Auditing Office and the auditors partner	Auditing Office: Ernst & Young Auditors Partner: Wardah Ebrahim
Number of years spent as an external auditor of the Company	2 years
Total audit fees in AED for 2021 financial statements	AED 290,000 + VAT
Fees and costs for special services other than 2021 financial statements auditing	Non
Details and nature of other services provided	Quarterly and annual financial reports review
Details of other services performed and submitted by an external auditor other than the Company's auditor during 2021.	There is no another external auditor

No other special or additional services were provided by **Ernst & Young** the Company's external auditor except for auditing the financial statements for 2021.

C. Qualified opinions made by the Company's auditor in the annual interim financial statements for the year 2021:

No Qualified opinions made by the Company's auditor for the year 2021

Fifth: Audit Committee

a. The Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Mr. Moahmmed Mosabeh Al Nauimi, Chairman of Audit Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. Audit Committee's members' names, terms of reference and tasks:

This committee was formed in 3/4/2021 till date and consists of the following members:

- Mr. Mohammed Mosabeh Al Nuaimi, Committee's Chairman (Independent Member)
- Mr. Mohammed Ghobash Al Marri, committee member (Independent Member)
- Yaser Abdulla Al Ahmad, committee member (Non-Executive Member)

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Mr. Andrew Robinson was elected as an Audit Committee member from outside the Board of Directors. He is qualified and has more than 20 years of experience and practice. He is a certified accountant in England and he worked for KPMG office in Dubai and Oman. Mr. Andrew is a Fellow of ICAEW and the Company considers his appointment to be a very valuable addition to the work of the both the Committee and the Company because of his long experience in this field.

Audit Committee's other functions are:

- To develop and implement the policy of contracting with the external auditor and submit the report to the Board of Directors to determine the issues that they consider important to take action about and make recommendations on the steps to be taken.
- To monitor and observe the external auditor's independence and objectivity and to have discussion with them on the nature and scope the audit process and its effectiveness in accordance with the approved auditing standards.
- To monitor the integrity of the Company's financial statements, annual, semi-annual and quarterly reports and review them as part of their normal work during the year and after closing the accounts in any quarter. It shall have particular emphasis on:
 - 1- Any changes in accounting policies and practices
 - 2- Highlighting the areas subject to the management report
 - 3- Significant changes resulting from the audit
 - 4- Supposing that the Company is a going concern
 - 5- Complying with the accounting standards determined by the Securities and Commodities Authority and Abu Dhabi Securities Exchange.
 - 6- Adhering to the rules of listing, disclosure and other legal requirements related to the preparation of financial reports.
- Coordinating with the Board of Directors, Executive Management and the Chief Financial Officer in order to perform its tasks. The Committee shall meet with the external auditors at least once a year.
- Considering any important and unusual items that are or should be included in such reports and accounts and giving due consideration to any matters raised by the Company's Chief Financial Officer, compliance officer or the Company's external auditors.
- Reviewing the Company's financial control, internal control and risk management systems.
- Discussing the internal control system with the management and ensuring that it fulfills its duty to establish an effective internal control system.
- Considering the results of the main investigations in the internal control matters assigned to it by the Board of Directors or on its initiative with the approval of the management.
- Ensuring that there is coordination between the Company's internal auditor and external auditor and that the necessary resources for the internal control system are available in addition to reviewing and controlling the effectiveness of the system.
- Reviewing the Company's financial and accounting policies and procedures.
- Reviewing, replying to and approving the external auditor's letter and work plan and any material inquiries presented by the auditor to the executive management regarding accounting records, financial accounts or control systems
- Ensuring that the Board of Directors responds in a timely manner to the inquiries and material issues raised in the external auditor's letter.
- Developing controls that enable the Company's employees to report any potential violations in financial reports, internal control or other matters in a confidential manner and the procedures necessary to ensure independent and fair investigations of such violations
- Monitoring the Company's compliance with professional codes of conduct
- Ensuring the application of work rules related to its tasks and the powers assigned to it by the Board of Directors

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- Discussing, approving and ratifying the Company's quarterly financial reports and submitting them to the stock market and the Securities and Commodities Authority in the event that the Board of Directors cannot meet in a timely manner.
- Ensuring the application of corporate governance controls as set forth in the Securities Authority's decision No. 7 of 2016.
- Reviewing and evaluating the Company's investments, and adopting appropriate solutions regarding them such as selecting exit mechanisms or adopting the most suitable investment opportunities in amounts not exceeding 50 million Dirhams.
- Reviewing the Company's financial balance sheet, cash flows and investment portfolios on a periodic basis and submitting them to the Board of Directors.
- Ensuring that there is an appropriate system for classification and archiving (e.g. meeting minutes, committee decisions, etc.)
- The Committee shall submit all its reports to the Board of Directors for approval and ratification at the first meeting of the Board following the last meeting of the Committee.
- The Committee shall hold its meeting at least once every three months or whenever necessary and the minutes of its meetings shall be kept by the Rapporteur.
- The Company is committed to providing all the resources necessary for the Committee to perform its tasks, including authorizing it to use experts whenever necessary
- The Committee may seek the assistance of any specialized staff members or members of the Executive Board at any time to explain the issues relevant to the work of the Committee
- The Board of Directors shall have the right to request a meeting with the Committee whenever it deems appropriate
- Any other matters assigned to it by the Chairman or the Board of Directors or matters necessary for the business in conformity with the Committee's functions and nature of work.
- Considering any other matters determined by the Board of Directors.

c. Number and dates of meetings held by the Committee and number of members attended in person:

During the fiscal year ended 31 December 2021, the Committee held the following meetings:

- 1- Meeting no. 1/2021 on 18/2/2021
- 2- Meeting no. 2/2021 on 29/4/2021
- 3- Meeting no. 3/2021 on 16/6/2021
- 4- Meeting no. 4/2021 on 29/7/2021
- 5- Meeting no. 5/2021 on 27/10/2021

Name	Attendance
Mr. Mohammed Mosabeh Al Nuaimi	4
Mr. Mohammad Ghobash Al Marri	4
Mr. Yaser Abdulla Al Ahmad	3
Mr. Andrew Robinson	5

Sixth: Nominations and Remunerations Committee:

a. The Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Shaikh Bin Ahmed Omar Al Qassemi, Chairman of Nomination and Remuneration Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

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b. Nominations and Remunerations Committee's members names, terms of reference and tasks:

The Nominations and Remunerations Committee was formed in accordance with the Corporate Governance Regulations and Rules. It consists of three Board members as follows:

Members of the Nominations and Remunerations Committee during Board of Directors' current session, they are as follows:

- Sheikh Ahmed Bin Omar Al Qassimi, Chairman
(Independent Board Member)
- Mohammed Mosabeh Al Nuaimi, Committee member
(Independent Board Member)
- Mr. Yaser Abdulla Al Ahamd, Committee member
(Non-Executive Board Member)

For the purpose of achieving its objectives, the Nominations and Remuneration Committee have the following responsibilities:

- Constantly ensuring the independence of independent members
- Identifying the Company's needs of competent individuals at senior executive management level and employees and the bases of their selection.
- Selecting candidates and reviewing all nomination processes for the appointment or reappointment of the following:
 - 1- Board of Directors members for the purpose of being approved by the shareholders
 - 2- Members of the various Board's committees for the purpose of being approved by the Board
- Arranging and following up the procedures related to proposals of membership in the Board of Directors in accordance with the provisions of the applicable laws and regulations and the regulations of the Securities and Commodities Authority
- Organizing and following up the procedures for nomination to the Board of Directors in accordance with the applicable laws and regulations and the Securities and Commodities Authority's provisions.
- Searching for qualified individuals to nominate as Board Members, recommending them to the Board of Directors and conducting a study on the potential candidates' background and qualifications for submission to the Board of Directors.
- Submitting an annual list to the Board of Directors containing the individuals recommended for nomination during the shareholders' annual general meeting.
- Submitting annual reports to the Board of Directors accompanied by an assessment of the Board's performance. The Committee shall discuss the report with the Board after the end of each financial year.
- Reviewing the formation of the Board and the committees on an annual basis and submitting recommendations to the Board of Directors when necessary regarding the membership of the committees
- Generally supervising the evaluation of the performance of the Board and its members and their areas of responsibility, at least annually, and proposing objective performance criteria.
- Developing, monitoring the application of and annually reviewing the Company's HR and training policy.
- Reviewing the plans of professional development and succession within the institution and discussing the same with the Board and senior management.
- Reviewing and submitting to the Board the recommendations regarding labor contracts, dismissal and retirement arrangements and any privileges of key members of senior management
- Developing and annually reviewing the policy of granting bonuses, benefits, incentives and salaries to Board of Directors members and its employees. The Committee should verify that the bonuses and benefits granted to the senior executive management of the Company are reasonable and commensurate with Company performance.
- Identifying the Company's needs of competent individuals at senior executive management level and employees and the bases of their selection.

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- Considering and approving the end of service gratuities, bonuses, dismissal payments and similar payments the Board of Directors members, managing directors and executive management.
- Reviewing and evaluating the efficiency of the Committee's charter on an annual basis and requesting the Board of Directors' approval on the proposed changes

c. Number and dates of meetings held by the Committee and number of members attended in person:

During 2021, the Committee held 9 meetings as follows:

- 1- Meeting no. 1/2021 on 13/1/2021
- 2- Meeting no. 2/2021 on 26/1/2021
- 3- Meeting no. 3/2021 on 16/2/2021
- 4- Meeting no. 4/2021 on 28/2/2021
- 5- Meeting no. 5/2021 on 9/3/2021
- 6- Meeting no. 6/2021 on 7/4/2021
- 7- Meeting no. 7/2021 on 14/6/2021
- 8- Meeting no. 8/2021 on 19/10/2021
- 9- Meeting no. 9/2021 on 6/11/2021

Name	Number of Meeting Attendance
Shaikh Ahmed Bin Omar Al Qassem	5 meetings prior to the formation of the current board of directors + 4 meetings
Mohammed Mosabeh Al Nuaimi	4
Yaser Abdulla Al Ahmad	4

Seventh: Follow-up and Supervision of Insiders' Trading Committee (FSIT Committee)

a. The Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Mr. Maen Abdol Kareem Chairman of Follow-up and Supervision of Insiders' Trading Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. Names of the members of the committee to follow up and supervise the transactions of the aspired persons, and indicate its competence and the tasks entrusted to it:

The Follow-up and Supervision Committee for Insiders' Transactions was formed as follows:

- 1- Legal Advisor: Chairman of the Committee
- 2- Chief Financial Officer - member
- 3- Investor Relations Officer – Member

The Follow-up and Supervision Committee has the following responsibilities for achieving its objectives:

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1. Prepare a private and integrated record that includes the names and data of the insiders, including people who can be considered temporary insiders, and who have the right or access to the company's internal information before publishing it.
2. Monitor and supervise insiders' dealings and properties, and keep their record.
3. Conducting a periodic review of the insiders' records and statements, to ensure that they are constantly updated, and consulting with the executive management of the company regarding any updates that are required to be made on these records and statements at the time of occurrence in accordance with the requirements and requirements of the company's business progress.
4. Submitting the statements and periodic reports of the insiders to the Abu Dhabi Stock Exchange and / or the Securities and Commodities Authority.
5. Ensure that the list of company insiders is constantly updated on the Abu Dhabi Securities Exchange website, and that any update on this list is made as soon as it occurs.
6. Continuous communication with the insiders and spreading awareness of their trading in the company's shares and the securities issued by the company, including sensitizing them and constantly reminding them of the periods of prohibiting trading in the company's shares and the securities issued by the company in accordance with the regulations and rules in force with both the Securities and Abu Dhabi Securities Market Finance, to ensure compliance with it, and to avoid any wrongdoing.
7. Generally, it is responsible for all matters specified in the guidelines of the Securities and Commodities Authority, as it is the responsibility of the Follow-up and Supervision Committee of the Insiders' Transactions of the Company.
8. Ensure that the company complies with all disclosure and transparency rules.
9. Prepare and adopt a model and criteria for identifying the insiders from the employees and external parties.
10. Determine the essential and sensitive information that can be viewed and affect the company's share price.
11. Prepare and review trading policies periodically and submit recommendations to the Board of Directors for approval to make any amendment to them.
12. Insiders familiar with the employees and members of the Board of Directors should disclose any deliberations of the committee.

c. Report summary of the Committee's work during 2021:

The Committee has updated the lists of insiders at the stock market to include the Board of Directors members and Company's senior employees of first and second grade, as well as some insiders from relevant department. It also advised the employees and the members of the Board of Directors of the necessity to adhere to the laws and regulations of trading and not to sell and / or buy in periods of banning trading.

Eighth: Any committee(s) approved by the Board of Directors (Executive and Investment Committee)

a. The Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Mr. Abdulla Al Abdouli Chairman of Executive and Investment Committee acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

b. Executive and Investment Committee's members' names, terms of reference and tasks:

The Executive and Investment Committee is entrusted with some of the Board of Directors' duties and responsibilities in order to increase Board effectiveness by employing the skills of some of the Committee members in supervising some important issues such as supporting the Company's Executive Management. The Committee is formed by a Board of Directors decision for a period not exceeding 3 years and consists of a number of members not less than 3 members.

The Executive Committee and the Investment was formed in accordance with the Board of Directors Decision No. 3/4/2021. It consisted of 3 members and their names are as follows:

- 1- Mr. Abdulla Jasem Al Abdouli, Committee Chairman
(Independent Board Member)
- 2- Sheikh Ahmed Bin Omar Al Qassimi, Committee member
(Independent Board Member)
- 3- Mohammed Ghobash Al Marri, Committee member
(Independent Board Member)

For the purpose of achieving its objectives, the Executive Committee and the Investment have the following responsibilities:

- Support and help the ACEO and Executive Management Team.
- Periodically review the Company's projects work progress in addition to its works in general.
- Review and approve the policies and procedures followed in the Company and the powers of accreditation and signature from time to time.
- Make suggestions and express opinion in timely manner to the Board and its Chairman regarding issues related to the performance of the Company and its main issues, if any.
- Develop and adopt the Company's organizational structure
- Propose major projects and strategic investments for the Company and propose the contribution to public offerings in companies' shares and submit them to the Board of Directors for approval.
- Discuss and adopt financial reports and commodities in the event that the Board of Directors cannot meet on time.

- Ensure the application of corporate governance controls.

Review and evaluate the Company's investments, and adopt appropriate solutions regarding them such as selecting exit mechanisms or adopting the most suitable investment opportunities in amounts not exceeding 50 million Dirhams.

Review the Company's financial balance sheet, cash flows and investment portfolios on a periodic basis and submit them to the Board of Directors.

Ensure that there is an appropriate system for classification and archiving (e.g. meeting minutes, committee decisions, etc.)

- The Committee may adopt urgent decisions by passing them in the event that the meeting cannot be held as quickly as possible.

- The duration of the Committee's work is the same as that of the Board unless a decision is issued by the Board of Directors to the contrary.

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-Any other matters assigned to it by the Chairman or the Board of Directors or matters necessary for the business in conformity with the Committee's functions and nature of work.

Consider any other matters determined by the Board of Directors.

-The Committee may seek the assistance of any specialized staff members or members of the Executive Board at any time to explain the issues relevant to the work of the Committee

-The Board of Directors shall have the right to request a meeting with the Committee whenever it deems appropriate

- The Committee shall submit all its reports to the Board of Directors for approval and ratification at the first meeting of the Board following the last meeting of the Committee.

- Hold meetings, periodically or at the request of the Committee's Chairman or the majority of its members whenever necessary.

c. Number and dates of meetings held by the Committee and number of members attended in person:

During the fiscal year ended 31 December 2021, the Committee held the following meetings:

- 1- Meeting no. 1/2021 on 30/1/2021
- 2- Meeting no. 2/2021 on 1/3/2021
- 3- Meeting no. 3/2021 on 8/4/2021
- 4- Meeting no. 4/2021 on 3/5/2021
- 5- Meeting no. 5/2021 on 31/5/2021
- 6- Meeting no. 6/2021 on 24/6/2021
- 7- Meeting no. 7/2021 on 28/7/2021
- 8- Meeting no. 8/2021 on 19/10/2021
- 9- Meeting no. 9/2021 on 23/11/2021
- 10 -Meeting no. 10/2021 on 7/12/2021

Name	Attendance
Mr. Abdulla Jasem Al Abdouli	8
Sheikh Ahmed Bin Omar Al Qassimi	9
Mr. Mohammed Ghobash Al Marri	8

Ninth: Internal Control System:

a. Confirmation by the Board of its responsibility for the Company's internal control system, reviewing its working mechanism and ensuring its effectiveness:

The Board of Directors confirms its responsibility for the Company's internal control system. It reviews its working mechanism and ensures its effectiveness. The Board adopted in its meeting No. (2) for the year 2007 held on 19/04/2007 the establishment of a department in the Company called "The Internal Audit Department". The department name changed later by a Board of Directors decision to be "The Internal Control Department" to match the names of the committees in the corporate governance requirements, subject of this report.

b. Department Director's Name, qualifications and date of appointment:

Mr. Usman Zishan, Manager of Internal Control Department, holds a Bachelor of Commerce, 2002. He has 14 years' experience in internal audit and he is reporting to the audit committee of the board. The Board of Directors continuously reviews the internal control system to ensure its effectiveness and realization of its objectives.

Internal Control Department's functions:

Internal control is an independent oversight and advisory activity aimed at improving performance and maximizing the value of the Company in order to assist the management in accomplishing its objectives by implementing a coherent and continuous system to evaluate and improve the effectiveness of the risk management performance and the internal regulatory and control system at the Company. The internal control also ensures that the Company's information is comprehensive and credible, policies and procedures are complied with, property are protected, resources are economically and efficiently used and the organizational and operational objectives of the Company are implemented.

1. Values:

Internal control department's manager and Staff shall:

- (A) Demonstrate the highest levels of profession, honesty and ethics.
- (B) Establish strong and effective relations through mutual respect and joint work.
- (C) Coordinate with all Company's employees during the audit process and advisory services.
- (D) Recruit and train individuals with relevant expertise.

2. Scope of Work:

The Internal Control Department participate with the management, Company's internal society and different parties in achieving of the Company's objectives and supporting the Company in adhering to policies, rules and procedures. The Internal Control Department functions include paying attention to areas of risk that have a significant impact on the Company. The Internal Control Department should have sufficient flexibility to interact with changing circumstances. Specifically, the Internal Control Department assesses the extent to which the Company's internal regulatory and control and risk management system is coherent to ensure that:

- (A) Risks are identified and managed appropriately.
- (B) Important administrative, financial and (B) operational information are accurate, reliable, sound and on time.
- (C) Policies, laws and instructions are complied with by the employees.
- (D) Materials are economically kept, efficiently used and sufficiently protected.
- (E) Programs, plans and objectives are achieved with the required efficiency.
- (F) Company's control process is of high quality and continuously developed.
- (G) Significant legislative and regulatory requirements affecting the Company are properly managed.

3. Accountability:

Internal control department's manager shall be responsible for performing his duties before the Company's Board of Directors through the Audit Committee and shall be responsible for submitting audit reports to the Acting Chief Executive Officer. Such responsibility includes the following:

- (A) Regularly verify the accuracy and efficiency of the Company's internal regulation and control in activities that fall within the audit process' scope and functions.

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2021

(B) Submit reports on important issues, provide information on the appropriate decision to address such issues and make recommendations about improving the operation in the activities related to these issues.

(C) Provide information on a regular basis on the annual audit plan' status and results and on the adequacy of the internal control management tools.

(D) Coordinate with other internal and external supervision and control tasks, including all areas such as risk management, compliance control, security, laws, ethics, and environmental and external auditing.

4. Powers:

Internal control department's manager and staff shall have the following powers:

(A) Have unrestricted access to all positions, records, property and employees

(B) Allocate the Internal Control Department's resources, select the tasks, determine the internal control's scope of work and apply the necessary techniques to achieve the audit objectives

(C) Obtain the necessary assistance from the Company's different departments employees when conducting the audit in addition to other specialized services from inside or outside the Company.

Internal control department's manager and staff shall NOT have the following powers:

(A) Perform any operational tasks for the Company or its subsidiaries.

(B) Conduct or approve any accounting transaction outside of the Internal Control Department.

(C) Take any decisions that fall within the responsibilities of the Department.

5. Independence

There is no interference in the Internal Control work in terms of determining the scope of internal control, work performance and reporting results. In order to achieve the independence of the Internal Control Department, the Department's officers shall be accountable to the Internal control department's manager who shall be directly accountable to the Board's Audit Committee and shall have independent powers to deal with any individual within the company to perform his duties.

6. Information and confidentiality:

The information obtained by auditors by virtue of their audit provides a reliable basis for auditing, reporting and recommendations. The audit work documents that contain such information are the property of the Company and they remain under the supervision of the Internal Control Department and can only be accessed by authorized individuals.

The Internal Auditor shall also:

- Be careful with the use of and protect the information obtained during the task.
- Not use the information for any personal purpose or to achieve personal interests in any illegal, illicit or immoral way.
- Disclose all facts known to him, i.e. information whose non-disclosure will cause the audit report to be incomplete.

7. Responsibilities:

Internal control department's manager and staff shall be responsible for:

(A) Develop the policies related to the Internal Control activity and the Manager shall be responsible for the technical or administrative application of such policies.

(B) Develop the annual audit plan using an approach based on identifying the risks associated with the activities and submit the plan to the Audit Committee and the ACEO for review and approval.

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- (C) Implement the annual audit plan, as approved by the committee, and introduce any special tasks or duties required by the management and the committee.
- (D) Develop and implement comprehensive programs of work to cover all the audit areas mentioned in the annual plan and evaluate and develop the Internal Regulation and Control system and Company's organizational activities.
- (E) Re-evaluate the audit plan continuously based on changing circumstances and make adjustments as necessary.
- (F) Issue audit reports containing audit activities results to the Managing Director, ACEO and other managers.
- (G) Informing the ACEO, and the Audit Committee of current trends and successful practices in the Company's Internal Control.
- (H) Submit a report to the Audit Committee on the Internal Control activities and serious issues in periodic meetings.
- (I) Follow up on observations sent to the Management and evaluate the plans or corrective actions taken.
- (J) Undertake accurate follow-up works to ensure that the corrective actions taken are implemented and acted upon.
- (K) Take into account the scope of work of external auditors and external bodies as necessary for a comprehensive audit of the Company.
- (L) Assist with investigating the acts related to breach of trust within the Company, notify the ACEO, Audit Committee and other Directors of the results and assist official authorities with different claims (if necessary).
- (M) Perform any advisory services to assist the management with achieving its objectives and addressing various matters. This may include designing systems, training and new initiatives.
- (N) Participate in different committees, compliance control duties and system development tasks in order to provide the Company with the guidance necessary for addressing potential issues and areas of weakness or inefficiency of internal control.
- (O) Evaluate the Company's important functions in addition to the changes and developments in the Company's operation system, services, key systems and control systems while working on increasing the level of assistance with implementing these changes.
- (P) Perform all the requirements related to Internal Control matters that are assigned by the Board of Directors.

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Standards for Practicing Internal Control:

At the Company's Internal Control Department, the professional practice of Internal Control is in accordance with the Standards for the Professional Practice of Internal Auditing (SPPIA) issued by the Institute of Internal Auditors (IIA). These standards represent the minimum professional practice at the Company's Internal Control Department.

Accordingly, the Company Board of Directors acknowledges its responsibility for the implementation of the Company's Internal Control System, its periodic review and its effectiveness through the Board's Audit Committee.

(C) Compliance Officer's Name, qualifications and date of appointment:

It was decided that Mr. Usman Zishan, Manager of Internal Control Department, to be appointed as compliance officer for the financial year 2021. Mr. Usman Zishan has a Bachelor of Commerce from Karnatak University, India, 2002. He has 14 years of experience and held many positions including Corporate Accountant and Internal Auditor of Al Bayan Real Estate Establishment, Dubai. He was appointed Internal Auditor of RAK Properties as of March 27, 2008 to date. Currently, he is the Company's Compliance Officer.

(D) How the Internal Control Department deals with any significant problems in the Company or those disclosed in annual reports and accounts:

The Company did not face any problems.

(E) Number of reports issued from Internal Control Department

The Internal Control Department has issued 14 internal audit reports to the audit committee of the board during the year 2021.

Tenth: Details of violations committed during the fiscal year

No violation was committed during the fiscal year 2021

Eleventh: In kind and cash contributions made by the Company in local community and environment preservation.

- Contribution in Cleaning the General Areas in Ras Al Khaimah under the name "Cleaning UAE"

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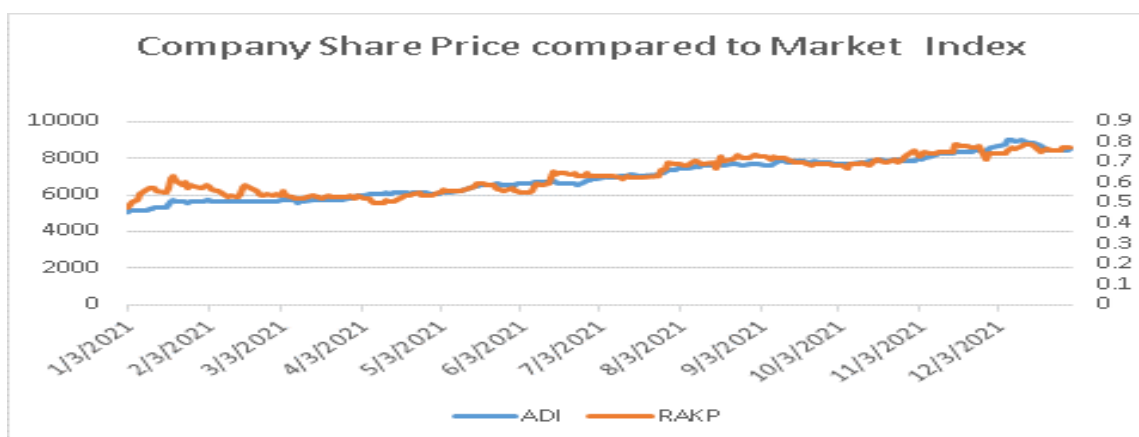
Twelfth: General information:

a. The Company's share market price (closing, high and low price) at the end of each month during the financial year 2021

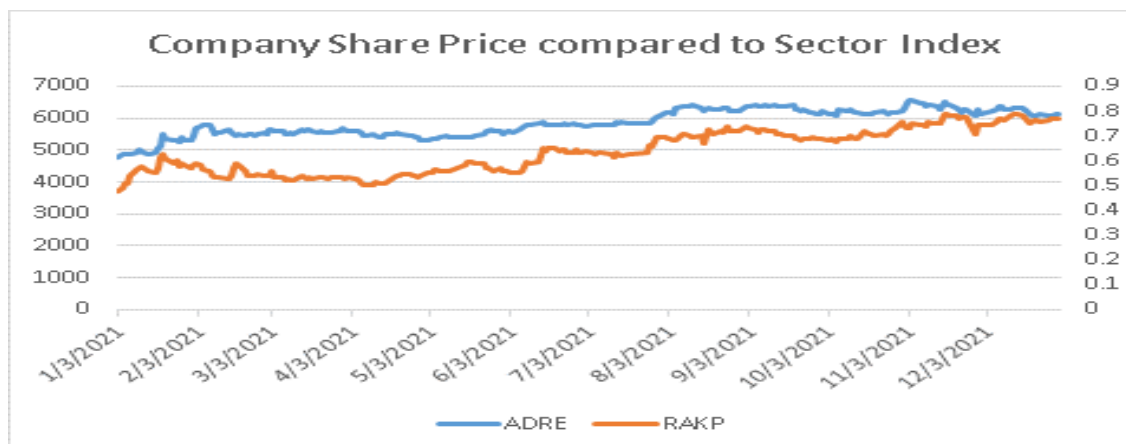
Transaction	Value	Volume	Close	Lower Price	High price	Date	Month
16	265,333	344,883	0.77	0.76	0.77	30/12/2021	Dec
92	3,721,492.	5,057,755	0.74	0.73	0.74	30/11/2021	Nov
534	38,983,358	52,959,040	0.73	0.71	0.73	28/10/2021	Oct
35	1,747,232	2,530,506	0.68	0.68	0.69	30/9/2021	Sep
106	5,555,646	4,054,945	0.73	0.72	0.73	31/8/2021	Aug
544	44,107,113	63,863,819	0.69	0.67	0.70	29/7/2021	Jul
41	1,758,883	2,782,700	0.63	0.62	0.62	30/6/2021	Jun
25	811,915.18	1,450,475	0.55	0.55	0.56	31/5/2021	May
41	2,781,527.05	5,161,496	0.53	0.53	0.54	29/4/2021	Apr
14	840,968.58	1,589,153	0.52	0.52	0.53	31/3/2021	Mar
25	730,273.09	1,361,719	0.54	0.53	0.54	28/2/2021	Feb
73	2,997,696	5,241,041	0.57	0.56	0.58	31/1/2021	Jan

b. Comparison between the company's share performance, the general market index, and the index of the sector to which the company belongs during 2021:

1. Comparing the Company's share performance with the general market index:



2. Comparing the Company's index to the sector index



3. Shareholders' equity as of 31/12/2021 classified as follows (National / GCC/ Arab / Foreign):

Symbol	Company Name	Nationals		GCC		Arabs		Others		Total Foreign	Outstanding
		Allowed	Actual	Allowed	Actual	Allowed	Actual	Allowed	Actual	Ownership%	Shares
RAKPROP	RAK Properties	100%	73.41%	49%	10.84%	49%	6.64%	49%	9.12%	26.59%	2,000,000,000

(C) Shareholders' equity as of 31/12/2021 classified as follows (Individuals / Companies/ Governments): National / GCC/ Arab / Foreign:

Individuals افراد			
Nationality Types	Volume	%age	Number of Shareholders
ARB	129,934,849	6.50	2,023
GCC	113,018,653	5.65	3,105
OTH	75,718,193	3.79	1,617
UAE	1,123,330,448	56.17	7,107

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Companies شركات			
Nationality Types	Volume	Percentage	Number of Shareholders
ARB	2,706,143	0.14	13
GCC	103,821,493	5.19	34
OTH	106,652,610	5.33	58
UAE	238,250,110	11.91	116

Government حكومات			
Nationality Types	Volume	Percentage	Number of Shareholders
UAE	106,567,511	5.33	6

(D) Shareholders who own (5%) and above of the Company's capital as at 31/12/2021

No.	Name	Number of owned shares	Shareholding percentage against the share capital
1	Government of Ras Al Khaimah	101,017,217	5.0509 %

E) Distribution of shareholders according to shareholding volume as at 31/12/2021 according to the following table:

No.	Shareholding	Number of Shareholders	Number of shares	Shareholding percentage against the share capital
1	Less than 50,000	12,147	116,837,980	5.84%
2	From 50,000 to less than 500,000	1,411	221,777,363	11.08%
3	From 500,000 less than 5,000,000	440	632,860,529	31.64%
4	More Than 5,000,000	74	993,524,128	49.67%
5	Equal to 5,000,000	7	35,000,000	1.75%

(F) Measures taken regarding investor relations controls in addition to the following:

- Name and contact information of the Investor Relations Officer:

Mr. Abdallah Shukri Al Akhdar was appointed as Investor Relations Officer. He can be contacted via e-mail ir@rakproperties.ae

- Link of investor relations web page on the Company's website:

The Company's website contains an a web page for the investor relations which can be reached through the following <http://www.rakproperties.net/investor-relation/>

(G) Special resolutions presented in the general assembly held during 2021 and the actions taken thereon.

Two issues that required a special resolution were presented to the General Assembly on April 3, 2021, and the General Assembly decided to take a decision on them as follows:

1. Approval of the amendment of the Articles of Association of RAK Properties to comply with the Governance Guide for Public Shareholding Companies issued pursuant to the Chairman of the Board of Directors Resolution No. 3 of 2020 and the amendments issued pursuant to Decree-Law No. 26 of 2020 amending some provisions of Law No. 2 of 2015 regarding companies The proposed amendments are subject to the approval of the competent authorities and the Securities Commission.

2. Approval of the amendment of Article 19 of the Articles of Association of RAK Properties related to amending the number of members of the Board of Directors from nine to seven members, provided that the proposed amendments are subject to the approval of the competent authorities and the Securities Commission.

(H) Board Rapporteur's name and date of his/ her appointment:

Board Rapporteur is Mr. Maen Abdol-Kareem and he is the legal advisor and Board secretary and he was appointed on 1/10/2019.

(I) Substantial events that occurred during the year 2021:

There have been no unusual or substantial events faced by the Company in 2021.

(J) Statement of the Company's Contract equal or above 5% of the Capital during the year 2021

The Company did not enter or sign any contract above 5% of the Capital during the year 2021.

(K) Percentage of Emiratization in the Company by the end of 2019,2020 ,2021:

Number Board's national members are 8.and they include the Board's Chairman and Vice-Chairman and percentage of employees' Emiratization is as follows:

2019	2020	2021
9%	16%	19%

(H) Projects and innovative initiatives undertaken by the Company or initiatives under development in 2021.

None

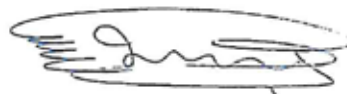
Name

Signature

Abdulaziz Abdulla Al Zaabi
Chairman of the Board



Mohammed Mosabeh Al Nuaimi
Chairman of the Audit Committee



Sheikh Ahmad Omar Al Qassemi
Chairman of Nomination Committee



Usman Zishan
Manager of Internal Control Department



SUSTAINABILITY REPORT ISSUED BY RAK PROPERTIES CO. PJSC FOR THE YEAR 2021

Below is the opening of the 2021 Sustainability Report of RAK PROPERTIES CO. PJSC covering the period from January 1, 2021 to December 31, 2021.

RAK PROPERTIES CO. PJSC is a public joint stock company established in 2005, and is listed on the Abu Dhabi Securities Exchange. The company has started implementing and adopting laws, regulations and principles of corporate governance since 2009.

RAK PROPERTIES CO. adheres to compliance standards with the application of decisions, regulations, and laws related to the organization and management of public shareholding companies, most of which stem from the Federal Commercial Companies Law No. 2 of 2015 and its subsequent amendments by Decree-Law No. (26) of 2020 amending some provisions of Federal Law No. (2) for the year 2015 regarding commercial companies and other decisions, interpretations or directives issued by the Securities and Commodities Authority and the competent official authorities in the country later and up to now in all their activities and dealings.

RAK PROPERTIES CO. would like to confirm that it is committed to implementing the provisions contained in the Authority's Chairman of the Board of Directors' Decision No. 3 of 2020 AD regarding the adoption of the Governance Guide for Public Shareholding Companies as the latest legislation issued in this regard.

RAK PROPERTIES CO. believes in the necessity and importance of practical application of the principles of sustainability in their precise form because of their positive effects that benefit all parties. RAK PROPERTIES CO. believes that adhering to the principles of sustainability will enhance these principles and secure the confidence of the community in them, which will push the wheel of production forward.

Basis for preparing the report

This report was prepared in accordance with the standards of environmental, social and corporate governance (ESG) factors for the Abu Dhabi Securities Exchange. In addition, the report demonstrates the commitment of RAK PROPERTIES CO. to sustainable development goals. This report for the year 2021 is the first for RAK PROPERTIES CO. for sustainable development, as the company is committed to issuing the report annually in accordance with the requirements of the Securities Authority and the Abu Dhabi Securities Exchange.

Forward-looking Statements:

It is important to note that forward-looking statements involve a certain amount of uncertainty, given the various external factors that may affect the environment in which the company operates, and these factors may include, but are not limited to, macro and micro economic conditions. For this reason, the company has no obligation to publicly update its forward-looking statements within the next financial year, except as required by applicable laws and regulations. Accordingly, the company's internal audit team does not include expressing an opinion on these forward-looking statements.

Communication, Feedback and Comments:

Disclosures related to ADX's ESG factors can be found at the beginning of each relevant section of this report, and an index of contents has been prepared that forms an integral part of the sustainability reports.

If you have any questions or comments regarding this report, please contact:

Name: Mr. Maen Abdul Karim

Email: maen@rakproperties.ae

Phone: +971 7 228 4777

**SUSTAINABILITY REPORT ISSUED BY
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- The sustainable development goals that RAK Properties focuses on

1. CEO MESSAGE

Dear stakeholders,

It is my pleasure to address you through the sustainability report for the fiscal year 2021, as it is the first time that sustainability has been disclosed, as it has become a mandatory matter for all listed companies in the United Arab Emirates. which is supported by RAK Properties and looks forward to its positive repercussions on the company's position and aspirations.

RAK Properties, through its investment role in the development of the real estate sector in the Emirate of Ras Al Khaimah, contributes to the development of sustainable projects that take into account the preservation of the environment. RAK Properties, through its partnerships with the government sector and other civil society institutions, looks forward to motivating the concepts of the local community towards accepting the idea of residence within projects that take into account the protection and preservation of the environment through some initiatives that contribute to reducing carbon emissions, using recyclable materials and diversifying energy sources by creating new sources clean energy.

It is worth noting that the evaluation of international companies is no longer based on financial foundations only, but the company's performance in the field of sustainability has become a major criterion in encouraging local and international investors to enter markets that take into account concepts such as environmental protection and sustainability. Therefore, the companies listed in the United Arab Emirates tend to harmonize their activities and strategies with sustainability factors, thus directly participating in building a flexible economy and contributing to sustainable development.



We at RAK Properties are committed to gradually embedding environmental, sustainability and governance factors in our main business and strategy, not only in order to adhere to the imposed standards, but also to take advantage of the opportunities offered by this transformation in the economies of the world and the companies involved in these efforts.

Our main objective is to provide value to all stakeholders, and we will report on our progress in this regard through our Sustainability Report. This inaugural report will form the basis for our sustainability-related activities, which we will work to continuously improve by developing a specific sustainability framework and strategy with clear and specific KPIs and goals.

Respectfully,

Mr. Mohammed Al Tair

Acting CEO of RAK PROPERTIES CO.

2.RAK PROPERTIES CO.'S RESPONSE TO THE CORONAVIRUS (COVID-19) PANDEMIC

Corporate Social Responsibility related to the Coronavirus Pandemic (Covid-19)

The priority of RAK PROPERTIES CO. was to overcome these challenges and ensure the provision of our services with the maximum possible efficiency, care and responsibility. We had to help our customers and extend a helping hand to them in times of trouble, including exempting the tenants in the Mina Al Arab area from rent for a period of three months announced by the company, but that did not prevent us from focusing on the safety of our employees in every step we take.

Also, we had to strengthen the social contribution of our company more than ever, especially to support the heroic work of the government, the health care system with its field workers, and all those involved in the response to the pandemic and the decline of the infection curve to limit the spread of the Coronavirus.

Staff Safety:

All the measures RAK Properties took during the year revolved around ensuring the safety of our employees. Due to the spread of the virus, the company has carried out a weekly campaign to sterilize offices and the company's headquarters continuously so far, with the placement of sterilizers in all office and public places of the company, placing glass panels to avoid direct contact between employees, and social distancing posters in all our offices and public places belonging to the company to maintain the safety of employees and customers, in addition to making sure to conduct tests for any symptoms that may appear on any employee, and to ensure that employees take the vaccine.

3.OUR MAIN BUSINESS

RAK PROPERTIES CO. was established in 2005 with the aim of real estate development in the Emirate of Ras Al Khaimah and providing opportunities for housing and real estate investment for all. It has achieved pioneering success as it is considered the largest real estate development company in the Northern Emirates.

During fifteen years of achievements, the company has developed many residential, hotel and commercial projects, and the company has gained a good reputation for its distinguished services in the real estate field and the quality of construction, as the company has constructed Julphar Towers in the Emirate of Ras Al Khaimah, and the Mina Al Arab area, which includes several residential projects of villas, residential buildings and hotels, such as the Intercontinental Ras Al Khaimah Resort, Mina Al Arab, which is about to open, and the Anantara Hotel, which is underway.

The company's head office is located in the Emirate of Ras Al Khaimah, Julphar Towers, the 40th and 41st floors of the commercial tower, in addition to the headquarters of Mina Al Arab in the Emirate of Ras Al Khaimah dedicated to sales, facilities and maintenance, and the company employs approximately 140 employees.

Advanced Technology:

As a company that is thinking about future development, RAK Properties uses the latest technologies to simplify operations and deal with our customers in their place of comfort, and in the world of technology that is constantly evolving, our information systems adopt the latest methods and innovations in order to serve our customers efficiently and meet their diverse needs.

Our Mission

Leading and developing the real estate and tourism infrastructure in Ras Al Khaimah, RAK PROPERTIES CO. aims to attract reputable foreign investors to launch state-of-the-art projects, including luxury hotels, resorts, shopping malls and industrial areas. In doing so, RAK PROPERTIES CO. acts as a catalyst for a dynamic real estate market in Ras Al Khaimah and the UAE in general.

Our Vision

To be a global company that generates long-term value by creating sustainable and successful lifestyle developments where people aspire to live, work and enjoy

Our Value

Excellence in hiring and retaining first-class employees

Ambition: A higher risk profile

Integrity on time and within the budget

Creativity: Searching for valuable and unique projects

Lightness: A quick response to market changes

Accountability at the level of every employee

**SUSTAINABILITY REPORT
ISSUED BY RAK PROPERTIES P.J.S.C FOR THE YEAR 2021**

4.SUSTAINABILITY JOURNEY

Our approach to sustainability is one of the ways in which RAK PROPERTIES CO. brings value to all its key stakeholders in the short, medium and long term.

Today, financial performance is no longer the primary driver of companies. Achieving sustainable financial performance and providing shareholder returns are closely linked to providing value to all key stakeholders, including our customers, our employees and the community

We are committed to giving equal importance to assessing both our financial and ESG performance on an annual basis and to embedding sustainability into our core business and strategy.

We will pass the current stage of our sustainability journey using the following guiding principles: Clarity and Transparency.

We are determined to clearly ensure that we progress on the sustainability journey. In other words, we look forward to building a sustainability framework tailored to our values and business model and with clear objectives and KPIs.

We will subsequently seek to establish an internal Sustainability Committee that will be accountable for our performance in the area of ESG factors, and along with our endeavor to achieve this, we look forward to transparently reporting to stakeholders through sustainability reports on the ESG Framework, our Strategy and the KPIs.

5.INVOLVEMENT OF STAKEHOLDERS AND ASSESSMENT OF RELATIVE IMPORTANCE

Building up trusted relationships with our stakeholders remains at the heart of our strategy and is fundamental to achieving excellence across the value chain. Given that stakeholder involvement is essential to the long-term success of the company.

Our inaugural report is based on our company's current stakeholder engagement methods, as shown in the table below, and we analyze the available engagement materials to understand the interests of the key stakeholder groups and determine their priorities according to the assessment made

Below we describe the process and methodology we followed to arrive at the topics of relative importance:

A. Identify and survey the main stakeholders

An initial list of stakeholders has been prepared based on an internal evaluation. We then ranked the stakeholders in the list by priority and identified the main stakeholder groups in RAK Properties using the following criteria

Dependency: whether we need the support of the stakeholder to achieve our personal goals

Impact: whether the stakeholder has an impact on our operational performance

Benefit: whether the stakeholder has an influence on our operations or is affected by them

B. Analysis of current engagement methods

We identified existing channels of engagement for each stakeholder category, analyzed the findings carefully to understand the key interests, concerns, and expectations of each group, and the extracted current input.

C. Key Stakeholder Engagement

After conducting a survey according to the above-mentioned criteria, we have identified our key stakeholders into eight categories.

List of current stakeholders and methods of engagement

Key stakeholder group	Current engagement methods and pace
Clients	<ul style="list-style-type: none"> - Various entities coordinating with the clients in all the stages of preparation and service including a specialized department to deal with the clients - Social media (mainly via Instagram and Facebook) - Company's Ads - Website - Marketing and advertising materials - Online clients' feedback
Board of Directors	<ul style="list-style-type: none"> - Organized meetings attended in person or over the phone - Board and related committee meetings - Company's events - Annual general assembly
CEOs and Senior Employees	<ul style="list-style-type: none"> - Regular management meetings - Weekly/monthly meetings with sales and business development teams - Performance evaluation. - Company training - Company's events - An open-door policy. - Internal company advertisements - Company's awards and certificates of appreciation - Exit Interviews
Shareholders	<ul style="list-style-type: none"> - Annual general assembly - One-on-one meetings in person or over the phone - Regular and regulatory disclosures for companies
Government (Securities and Commodities Authority, Central Bank. Abu Dhabi Financial Market, Volunteers Company, Charity Associations,)	<ul style="list-style-type: none"> - Direct engagement through emails and meetings - local forums - Webinars
Society	Local initiatives and volunteer activities
Business partners. Contractors, Suppliers, Consultants	<ul style="list-style-type: none"> - Regular meetings - Regular review of the business - Ensure that level of service is suitable to the strategy
Rating agencies	<ul style="list-style-type: none"> - Regular meetings related to the annual evaluation

**SUSTAINABILITY REPORT ISSUED BY
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**SUSTAINABILITY REPORT
ISSUED BY RAK PROPERTIES P.J.S.C FOR THE YEAR 2021**

Evaluation of relative importance

In order to assess economic issues and ESG factors which are most important to our company's long-term success, we conducted a relative importance assessment that demonstrates the importance of different sustainability topics based on our business impact and stakeholder input. The table below shows how RAK Properties make our list of material matters by including current engagement methods, and the material topics covered in the report. Each material topic corresponds to the appropriate GRI disclosure:

Item	Substantial subject matter	Appropriate GRI Disclosure
1	Financial Performance	GRI 201 - Economic performance
2	Data protection and customer privacy	GRI 418 Data privacy
3	Digitizing	Not Applicable
4	Recruitment practices	GR 401 - Recruitment
5	Developing the prowess of employess	GR 404 – Training and education
6	Equal opportunity, diversity and inclusion	GRI 405 – Diversity and equal opportunity
7	Environmental Impact and Sustainability Practices	GR 302 – Energy GR 305 - Emissions
8	Society	GRI 413 – Investing in the community

Clients

The RAK PROPERTIES CO. strategy primarily aims to ensure the satisfaction and well-being of our customers. We believe in the necessity of staying close to our customers and providing them with a personalized service, whether they are individuals, companies or government bodies.

Our quick response to our customers' requirements is one of the main factors that enabled us to build a relationship with our customers and to become one of the leading real estate development companies in the United Arab Emirates.

Protection and well-being of our customers

We strive to keep our operations simple and clear in order to ensure that our customers are fully aware of their requirements. Therefore, they can access all services electronically via the website, contact the competent employee to solve problems without any delay, and respond to customer inquiries via social media.

Protecting our customers' data and privacy

Protecting our customers' data and privacy is an essential element for gaining their trust in us. They expect that their health or personal information will be treated confidentially, carefully and responsibly. There is no doubt that digitizing many of our operations comprises additional data breach risks that should be taken into account.

We are fully committed to protecting our customers' data and constantly strive to adopt the best-in-class data protection policies and systems in order to ensure the safety and protection of our customers. Information technology policy

We have a strong Information technology policy, and all of our employees are supposed to adhere to it carefully. Anything that may expose the company to the risk of unauthorized access to data of the company, disclosure of information or any other consequences shall lead to take disciplinary action against the perpetrator.

Access to our company's information services is controlled through a formal registration process of users, according to their job, by accessing only specific data relevant to their field of work. The system also prohibits the departments from accessing the confidential data where it is exclusively to certain people. In meanwhile, the IT department shall conduct regular reviews of the network access rights in order to ensure the proper operation. We also have a contract with a company to monitor and combat electronic fraud. And the company discloses any contract with external entities to guarantee that there is no any legal violations.

Digitization

Customer needs and expectations are constantly changing towards the digital and virtual world. As a company putting the needs of our customers at the heart of all its business, we take this development very seriously and look forward to constantly improving our efforts in digital transformation.

Customers just seek to easy-to-use processes and platforms, and to access to the details and status of their claim in anytime and anywhere.

Therefore, RAK PROPERTIES CO. has developed easy-to-use platforms to pay fees and to file complaints and various requests easily.

What we aim to achieve is to digitize our entire operations in order to ultimately simplify the entire process. Accordingly, we say goodbye to the paper copies entirely, thus reducing our carbon footprint.

Employees

Our employees are our pride. They represent our existence, our values and our ambitions. While we expect all of our employees to take responsibility for their actions and fully follow the values of our company, it remains our duty to ensure their safety.

The company has approximately 140 employees, who enjoy health insurance and medical health care benefits.

Our employee turnover rate is one of the important KPIs that we will continue to monitor. This is an important indicator of our ability to attract talented employees and maintain them as part of our talent pool.

Inclusion, diversity and equal opportunity

We promote the environment of equal employment opportunities and career development based on merit, qualifications and abilities and we make it clear that discrimination is unacceptable in all its forms.

Our talent pool is diverse. We strive to create an inclusive environment where all employees are valued, regardless of their race, color, age, nationality, religion, mental or physical disability, familial status, or medical condition. Moreover, we treat all our employees with respect and dignity.

In this context, we have employee procedures addressing every aspect of our talent pool's responsibilities and rights.

Our work environment enables the development and appreciation of people's strengths and capabilities.

We also have a policy and rules of professional conduct and work ethics protecting whistleblowers for encouraging all employees or external contracting parties to draw attention to issues that may raise serious concerns about the company and report any violation. Our policy ensures that investigations are conducted in a fair and equitable manner and protection of complainants from acts of revenge.

Fair performance management and transparent evaluation and reward system

We aim to provide equal pay for equal work, regardless of gender or other considerations. To achieve this goal, we must ensure a transparent appraisal and reward system.

Accordingly, we ensure that every employee receives an annual written performance appraisal along with an environment for open discussion. Our managers are encouraged to discuss the job performance and job objectives on an informal daily basis.

Our appraisal system is transparent, as we seek to motivate employees and maintain their level of performance through both monetary and non-monetary rewards.

As for equal pay, we have started tracking equal pay gaps in our company, aiming to fill them where they exist.

In addition, we organize quarterly recognition events, awards and certificates for those who demonstrate the highest level of performance.

Women in the workforce and gender equality

We insist on ensuring equality at work and will continually strive to make every effort for supporting women in the workforce, as our company has 22% female employee.

Although we previously allowed any experienced woman to nominate herself for membership in the Board of Directors, no woman has nominated herself to be a member and there is currently no woman in the Board of Directors. In the next period, we will strive to add a woman to our Board of Directors.

Emiratization

Being an Emirati public joint stock company, we are fully committed with the objective of the Ministry of Human Resources and Emiratization to increase the participation of national human resources in the strategic sectors. Several citizens have been appointed in various departments of the company, and the percentage of citizens in the company is 19%.

Training and skill development:

We seriously care our new employee training to motivate them to understand our values and the way we serve our customers, and to allow them to enhance their knowledge of our products and offerings. This is what our company does to train employees and add skills to them, as well as scientific and practical experiences.

Table of (employee data and KPIs) from the HR Department

Total of employees as per the sex

total	%	female	%	male	
139	22%	30	78%	109	2021
138	20%	28	80%	110	2020
140	17%	24	83%	116	2019

Total of employees as per the sex and grade

total	(1-9)				(12-10)				
	%	female	%	male	%	female	%	male	
139	22%	30	57%	79	0%	0	22%	30	2021
138	20%	28	59%	82	0%	0	20%	28	2020
140	17%	24	63%	88	0%	0	20%	28	2019

Total of new employees as per the sex

total	%	female	%	male	
37	24%	9	76%	28	2021
17	53%	9	47%	8	2020
24	17%	4	83%	20	2019

Total of employees who left as per the sex

total	%	female	%	male	
35	20%	7	80%	28	2021
18	28%	5	72%	13	2020
26	31%	8	69%	18	2019

Total of local employees who left as per the sex

total	%	female	%	male	
27	70%	19	30%	8	2021
22	68%	15	32%	7	2020
13	62%	8	38%	5	2019

Localization

2021	19%
2020	16%
2019	9%

Rate of changing employee

2021	25%
2020	13%
2019	18%

Rate of keeping employee

2021	75%
2020	88%
2019	81%

Society:

RAK PROPERTIES CO. contributes to supporting sectors of society every year, to supporting charities, centers for people with disabilities and care homes. However, with the outbreak of the Corona pandemic, the company did not make sufficient contributions due to the inability to organize events during this period.

We are also committed to continually exerting our social responsibility efforts.

Environment

RAK PROPERTIES CO. holds its environmental responsibility very seriously.

It is time for all companies to contribute to the necessary separation between economic growth and environmental degradation. Regarding the climate change as an example, the world is beginning to feel the effects of global warming that is impossible to completely reverse and to which we all have to adapt.

Our strategy and operations must be accompanied by a clear environmental policy. We should strive not only to remove the negative impact on the environment, but also to generate a positive impact and contribute to the nature preservation.

This report constitutes an important factor that helps us to determine the level of greenhouse gas emissions. By defining these rates, we can understand the places of their most important impact and, in turn, implement the necessary measures as part of our environmental policy.



Environment protection

We will strive to protect the environment and make it a central and fundamental component of our business activities.

We will address various aspects, including but not limited to our workplace. And our efforts will include various aspects of their environmental impact, including:

- Reducing the emissions of greenhouse gases emitted by each employee.
- Seeking to involve the appropriate stakeholder with regard to access to renewable energy if possible.
- Saving energy as the company uses lighting poles and umbrellas that work on solar energy in the Mina Al Arab area, one of the company's projects that are being developed.
- Reducing the use of paper and reducing the total waste it produces

Whereas the RAK PROPERTIES CO. greatly contributes to creating a sustainable green environment and providing a residential environment surrounded by trees in the Mina Al Arab area, which consists of thousands of residential units, including apartments and villas. The following are pictures of the company's green projects:

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The company also cares and maintains the area adjacent to the Flamingo Villas project in Mina Al Arab overlooking and adjacent to the Al Muzahimy Reserve, which includes vast areas of mangroves, wildlife and natural, in addition to flamingos, fish and others



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Also, on 16/12/2021, the company organized a campaign to clean public places near Khaliqa Hospital in Ras Al Khaimah under the banner of “Clean the Emirates). It is a campaign that the company carries out every other time to maintain a clean environment, and the company also participated with the Emirates Environmental Working Group in the general cleaning campaigns in the Emirates, where 8150 volunteers cleaned and removed 30 tons of dirt around the Emirates in the 20th campaign.



Towards a non-paper based operating environment

We have embarked on serious efforts to reduce our use of paper, as the company publishes regulations and awareness messages for employees to reduce reliance on printing paper except when necessary. A system for sharing electronic documents between departments has been adopted to ease the process of printing paper

Environmental control

We will then seek to establish a specific Sustainability Committee that will be responsible for ensuring that a clear strategy on sustainability is ultimately developed as well as the implementation of key performance indicators and accountability.

Reducing greenhouse gas emissions

The company will work on the process of determining the source of emissions of greenhouse gases from the company’s operations and will do what it may to reduce greenhouse emissions. The company also uses environmentally friendly materials in construction to reduce emissions of gases and harmful substances.

Economic Performance

As a real estate developer, we look forward to protecting the future of our clients, managing their risks and ensuring their ability to rise in their lives, we believe in the important role of real estate developers in providing stability and economic growth.

Ras Al-Khameya Real Estate Company focuses on being the main source for the rise and stability of our clients. These characteristics and principles direct our work and procedures and define our goal, and this goal manifests itself clearly in our annual results and financial statements, in addition to assets and ownership.

Our financial results show solidity through the continuous increase in the equity of our shareholders and total assets in addition to sound cash flow, and also show stability through the returns, net profits and dividend numbers achieved by the company.

Ras Al Khaimah Real Estate Company has also committed itself to disclosing the financial statements related to the company for each quarter during 2021 in due course under the supervision of the financial market and the Securities, Goods and Services Authority.

Statement of expectations

As we look to continue our successful handling of the environment of uncertainty created by the COVID-19 pandemic, we will continue to focus on controlling risks, adhering to only the works which we can guarantee and support, and avoiding unnecessary volatility. We will continue to focus on quality.

The nature of our work

Our company's capital is a sum of AED 2 billion, and the value of our assets and properties is approximately AED 5.8 billion. The company focuses on developing land, building and selling real estates, in addition to managing and leasing of the same. The company has developed several projects since its establishment, such as the Mina Al Arab area, which is a city of integrated services that includes residential and commercial projects, including villas and apartments. Hotels are also being developed, such as the InterContinental Ras Al Khaimah Mina Al Arab and the Anantara Mina Al Arab, which is a hotel that contains floating villas over the water. In addition to the Julphar Towers project in Ras Al Khaimah and the Julphar Residence Tower in Abu Dhabi, the company will also work on developing Bay Residence towers in the Mina Al Arab region and continues its achievements.

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Government, Compliance and Risk

A Solid Governance Structure

Governance is an important component of sustainability. Without governance, no operations can be carried out, and it is impossible to hold anyone responsible in order to ensure the integrity and ethical behavior of the company.

Corporate governance is the basis of any sustainable business. The use of solid corporate governance enables each company to effectively manage its own risks, and thus reduce volatility, which is the basis in the real estate sector.

The company focuses on its disclosure principles and its framework that is based on

transparency, aiming to implement the best control practices for corporate governance, and in particular:

- We monitor our internal control system through the Auditing Committee and the Internal Auditing Department, which reports to the Auditing Committee) and we have the interest that all departments in the company shall apply the internal control functions properly.
- We disclose all disclosure requirements in a timely manner.

More information about corporate governance can be found in our annual corporate governance report published on the company's website and the Dubai Financial Market.

Ownership Structure:

The company's ownership structure includes individual and corporate shareholders, the major owners of the company's capital are as follows:

Sr.	Name	No. of shares owned	Ratio of shares owned in the company
1	Ras Al Khaimah Government	101,017,217	5%
2	Mr./ Mohamed Ahmed Ruqait Al-Ali (Deputy Chairman of the Board)	76,299,273	3.75%

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Formation of the council and committees

The Board of Directors consists of 7 Emirati members, and a number of basic committees are emanating from the Board of Directors, namely auditing, nominations rewards, executive and investment committees. There is also a committee to review the transactions of the insiders.

Compliance:

Our compliance function strengthens responsibility. It also ensures accountability and adherence to the rules. The Compliance Department's approach is to adopt a culture of ethical behavior and raise awareness of risks related to compliance within the various departments and functions. In addition, the department oversees the implementation of correct processes and the availability of a clear and confidential communication channel for all employees to interact transparently if they suspect any wrongdoing.

Anti-money laundering and counter-financing of terrorism policies and procedures

The company follows this policy in order to protect itself from money laundering activities and to ensure that all applicable laws and regulations are followed.

The policy is based on identifying customers and monitoring the payment process and sources of funds in accordance with the laws issued.

Internal Control System:

The Internal Control Department is independent and works directly under the supervision of the Auditing Committee. The department deals with challenges, risks or potential issues that may arise within the company and that may have to be resolved. This department is necessary in order to examine any gaps identified by the Board of Directors, management or the department itself. The responsibility for monitoring this department rests with the Auditing Committee, which verifies its effectiveness and ensures that the company and its employees are fully compliant with the provisions of applicable laws, regulations and resolutions.

Risk Management

Risk management forms an integral part of the company's structure and aims to safeguard the interests of all stakeholders. In this regard, the company has established a specific framework and a solid risk system and assigned the responsibility for risk management to the Auditing Committee.

The company has also appointed a risk management officer, whose responsibility is to manage all arising risks and that all functions be able to understand risk measures, raise awareness about risks, and ensure the provision of a permanent control system.

In a future stage, the company will seek to focus more on the environmental and social risks that form the basis of its progress in the field of sustainability.

United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals, also called the Global Goals, are a call to action to put the world on a sustainable path that ultimately achieves prosperity for all. In 2015, the Member States of the United Nations set and adopted the Sustainable Development Goals in order to ensure that all human beings can realize their potential in dignity, equality and in a healthy environment.

The 17 Sustainable Development Goals, on top of the 169 targets that all countries must achieve by 2030, seek to help the world make an irreversible transition to sustainable development and guide the actions of governments, businesses, citizens, academics, civil society and consumers towards the same goal.

The government of the United Arab Emirates played an active role in formulating the United Nations' 2030 Sustainable Development Plan, and in 2017, it established the National Committee on Sustainable Development Goals, whose work is to ensure that the development plan issued by the United Arab Emirates conforms to and supports the goals of sustainable development.

The effect of the real estate sector

The concept of landlord is a part of the human culture, as real estate contributes to providing suitable housing for various families of low-income and high-income families, in a manner that suits their need of owning or renting, taking into account the maintenance of supply and demand to eliminate the housing crisis or any inflation.

The approach adopted to achieve the sustainable development goals

As an Emirati company that plays a role in contributing to the achievement of sustainable development goals and the approval of its activities to serve the process of achieving these goals, our approach revolves around alignment and relevance, meaning that we have tailored our business model and sector to fit the sustainable development goals associated with our activities and to which we can contribute to the fullest extent possible. Next, we will focus on the sustainable development goals that the UAE vision aligns with, as well as the sustainable development goals that are directly affected by the real estate sector.

Methodology

The first level of association formed the engagement basis of our sector within the UAE vision for the coming year, which includes national priorities:

- Health system of international standards
- Competitive knowledge-based economy
- Sustainable environment and integrated infrastructure
- Cohesive society that preserves its identity
- Safe and secure community
- High-level education system

In the following reports, we will add specific KPIs in order to display and monitor our impact on the Sustainable Development Goals associated with our company.