رأس الخيمة العقارية
RAK PROPERTIES

Ref: RAKP-LD-E-0002-110223-05
Date: 11 February 2023

المرجع:RAKP-LD-E-0002-110223-05
التاريخ: 11 فبراير 2023

MS/ Disclosures and Compliance Dept
Abu Dhabi Securities Exchange

السادة/ قسم الإفصاح والامتثال المحترمين
سوق أبوظبي للأوراق المالية

Dear Sir:

تحية طيبة وبعد،،،

Subject: Results of RAK Properties BOD Meeting held on 11 February 2023

Kindly note that the Board of Directors of RAK Properties has held its meeting on Saturday, 11th February 2023 at 10:00 am, at company premise, to discuss items on the Board Agenda, and took the following decision.

- Approved the company's condensed consolidated financial statements for the year 2022
- To propose to AGM to consider not distributing dividends for the financial year 2022
- To invite the General Assembly of the company (AGM) to convene on 11/3/2023, and in case the quorum is not achieved, the AGM will be postponed to 18/3/2023, and to publish the Agenda of the AGM after SCA approval
- The Board further deliberated in other administration matters

الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 11 فبراير 2023

نحيطكم علما بأن مجلس إدارة شركة رأس الخيمة العقارية قد اجتمع يوم السبت الموافق 11 فبراير 2023 في تمام الساعة 10:00 صباحاً، في مقر الشركة برأس الخيمة، حيث تم مناقشة البنود المدرجة على جدول الأعمال، وتم اتخاذ القرارات التالية:

- الموافقة على البيانات المالية المدققة لعام 2022
- التوصية للجمعية العمومية للنظر في مقترح عدم توزيع أرباح عن السنة المالية 2022
- دعوة الجمعية العمومية السنوية للشركة للانعقاد بتاريخ 11/3/ 2023 وفي حال عدم اكتمال النصاب تؤجل لتاريخ 2023/3/18، والاعلان عن جدول الأعمال بعد موافقة الهيئة.
- كما تداول المجلس في بعض الأمور الإدارية الأخرى

Best Regards,

و تفضلوا بقبول فائق التقدير و الإحترام

رأس الخيمة العقارية
RAK PROPERTIES

Maen Abdul Kareem
Legal Advisor of RAK Properties

معن عبد الكريم
المستشار القانوني لشركة رأس الخيمة العقارية

رأس الخيمة العقارية
RAK PROPERTIES

DIRECTORS REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

On behalf of the Board of Directors of RAK Properties PJSC, I am pleased to present the consolidated financial results of the company for the period ended 31st December 2022.

2022 Key Financial Highlights:

- Revenue for the period amounted to AED 408.22 million vs AED 515.62 million for the same period last year.
- Net Profit for the period amounted to AED 30.79 million vs AED 201.47 million for the same period last year.
- Total comprehensive income for the period amounted to AED 20.97 million vs AED 199.61 million for the same period last year.
- Total Asset stood by AED 6.32 billion in December 2022 vs AED 6.21 billion in December 2021.
- Total Equity stood by AED 4.12 billion in December 2022 vs AED 4.10 billion in December 2021

Income Statement		**AED Million**
	2022	**2021**
Revenue	408.22	515.62
Cost of Revenue	(267.71)	(320.69)
Gross Profit	140.51	194.93
Operating Profit	71.03	216.95
Profit for the period	**30.79**	**201.47**
Total comprehensive income	20.97	199.61

Financial Position		**AED Million**
	2022	**2021**
Non-Current Assets	5,285.17	5,185.44
Current Assets	1,029.90	1,028.88
Total Assets	**6,315.07**	**6,214.32**
Non-Current Liabilities	1,218.25	1,210.10
Current Liabilities	974.65	896.81
Capital and Reserves	4,122.17	4,107.41
Total Equity & Liabilities	**6,315.07**	**6,214.32**

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رأس الخيمة العقارية
RAK PROPERTIES

Development Update

Residential:

1. **Marbella Villas**, Mina Al Arab, Ras Al Khaimah – Luxury Villas and Townhouses
    a. During the year RAK Properties successfully handed-over 207 luxury villas & townhouses in Marbella.

2. **Julphar Residence**, Reem Island, Abu Dhabi – Residential building of 266 apartments
    a. During the year RAK Properties successfully completed the building and sales commenced in Q1 2023.

3. **Bay Residence Phase 1**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beach front residential buildings of 324 apartments.
    a. During the year RAK Properties awarded the main construction contract for Phase 1 (2 towers) construction is progressing well, as per the development plan.
    b. Tower 2 sales were launched in the first half of 2022 and are ongoing in 2023.

4. **Gateway Residence 2**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential building of 146 apartments.
    a. During the year RAK Properties awarded the main construction contract and construction is progressing well, as per the development plan
    b. Sales were launched in the first half of 2022 and are ongoing in 2023.

Hospitality:

1. **Intercontinental Ras Al Khaimah Mina Al Arab Resort and SPA**
   During the year, on 11th February 2022, RAK Properties successfully opened this 351 key 5 Star resort hotel with strong first year revenues.

2. **Anantara Mina Al Arab Hotel and Resort**, Ras Al Khaimah
   During the year construction progressed well and this 174 key 5 Star resort hotel is on-track to open before the end of 2023.

   Our 5 Star hospitality assets will add significant value to revenue streams, strengthen the balance sheet and drive the appeal of Mina Al Arab as a lifestyle destination in Ras Al Khaimah.

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RAK PROPERTIES

Planned Residential:

1. **Bay Residence Phase 2**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beach front residential buildings.

   2 towers consisting of 324 apartments which will launch for sale in Q1 2023.

2. **Marbella Villa Phase 2**, Mina Al Arab, Ras Al Khaimah – Luxury Villas and Townhouses
   a) An additional 89 luxury villas and townhouses will commence construction in February 2023 and the sales launch is scheduled to begin in February 2023.

3. **Bay Area Apartments**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beachfront residential buildings of 6 plots consisting of 908 apartments.
   a) Development of the first 2 plots consisting of 318 apartments are under design and are scheduled to go on sale in Q3 2023.
   b) The remaining 4 plots consisting of 590 apartments are scheduled to go on sale before the end of 2023.

We have delivered a solid revenue number and made good progress with our residential development deliveries and our 5 Star hospitality offerings. The InterContinental Resort & Spa has proved to be very popular and is delivering excellent revenue and the opening of the 5 Star Anantara Resort & Spa later this year will add considerable additional appeal to our overall hospitality offering on Mina Al Arab. This will be complimented by a strong residential development pipeline of luxury villas and apartments. I believe we are in a good position to begin the next stage of our transformation program that will build value for our customers, our shareholders and the Emirate of Ras Al Khaimah."

Sameh Al Muhtadi
Chief Executive Officer

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RAK Properties PJSC and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

RAK Properties PJSC and its subsidiaries

Consolidated financial statements

31 December 2022

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رأس الخيمة العقارية
RAK PROPERTIES

Dear Shareholders,

The Board of Directors of RAK Properties PJSC is pleased to submit the consolidated financial statements for the year ending 31st December 2022.

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 businesses.

Financial results: In 2022, RAK Properties achieved revenue of AED 408 million (2021 AED 516 million), the company achieved a net profit of AED 31 million (2020 AED 201 million) with an EPS of AED 0.015 (2021 AED 0.10). The Total comprehensive income for the year was AED 21 million vs AED 200 million in 2021.

The total assets of the Company as at 31st December 2022 are AED 6.32 billion (2021 AED 6.21 billion), an increase of 2% YoY.

Given our 2022 results it would not be prudent to pay a dividend. We are very focussed on 2023 and specifically on building our development pipeline and driving sales revenues in 2023. Our goal would always be to pay dividends if we achieve our growth goals, however, we have a lot of work to do to get there and cannot therefore commit to paying dividends at this time.

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

Marbella villas, consists of 207 villas and is a luxury residential beachfront community on Hayat Island, Mina Al Arab and was handed-over to customers during the year.

Julphar Residence, Reem Island, Abu Dhabi, a residential building of 266 apartments, was completed during the year. The sale of this residential tower commenced in Q1 2023.

Bay Residence Phase 1, the main contract has been awarded and construction has started on these two residential towers on Hayat Island, Mina Al Arab.

Gateway Residence 2, the main contract has been awarded and construction has started on this residential apartment building on Hayat Island, Mina Al Arab. Sales are ongoing after the launch in the first half of 2022.

The InterContinental Ras Al Khaimah Mina Al Arab Resort & SPA, this notable 5 Star luxury hospitality asset has been operating successfully since February 2022 and delivering strong first year revenues.

Anantara Mina Al Arab Resort, Ras Al Khaimah, the second 5 Star luxury hospitality asset is progressing as per the development plan and is on-track to begin operating before the end of 2023.

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

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infrastructure development of the Mina Al Arab community with a view to maximizing the value of the overall Mina Al Arab master development, and ultimately generating value for investors and customers.

Outlook 2023:

RAK Properties continues to invest in the development of appropriate asset classes and in human capital to manage ongoing business challenges and realize opportunities. With the support of all stakeholders RAK Properties has developed a robust budget for 2023 designed to drive company transformation and performance versus 2022. RAK Properties has allocated substantial funds for development, predominantly in Mina Al Arab, with the goal of maximizing the value of this important company asset and to increase revenue generation, as well as building the RAK Properties PJSC and Mina Al Arab brands and their appeal to our target customers and investors.

Directors:

Abdul Aziz Abdullah Al Zaabi	- Chairman
Mohammad Ahmad Ruqait Al Ali	- Deputy Chairman
Sheikh Ahmed Omar Al Qassimi	- Director
Abdallah Rashed Alabdouli	- Director
Mohamed Ghobash Al Marri	- Director
Yasser Abdulla Al Ahmad	- Director
Mohamed Musabbeh Al Nuaimi	- Director

Auditors:

The consolidated financial statements for the year ended 31st December 2022 have been audited by M/s. Ernst & Young (EY), who were appointed as auditor of the company at the annual general meeting held on 26th March 2022.

On behalf of the Board,

Abdul Aziz Abdullah Al Zaabi
Chairman

11 February 2023

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Ernst & Young (Sharjah Branch)
P.O. Box 1350
City Gate Tower, Office No. 1402
Al Ittihad Street
Sharjah, United Arab Emirates

Tel: +971 6 574 1491
ey.com

PL No. 2845

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 2022, 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the year ended 31 December 2022. 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.

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 40,108 thousand at 31 December 2022 (2021: AED 50,243 thousand) and the net fair value loss recorded in the consolidated statement of comprehensive income amounted to AED 9,822 thousand (2021: loss of AED 1,866 thousand). The Group measures its unquoted investments at fair value (note 10). The determination of fair value of these unquoted investments involves significant judgements and is determined based on valuations undertaken by external valuers. 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 judgement exercised in determining the inputs used in the valuation models.	We have performed the following procedures: - Obtained 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 methods used are in accordance with the established standards for valuation of the investments and determining the fair value; - On sample basis, we tested the inputs, if any, provided to the external valuers by management; - We involved our internal valuation specialists to review the valuation methodologies, key assumptions and critical judgements used by comparing these with market data, or other publicly available information, on selected investments; and - We assessed the disclosures made in the consolidated financial statements is 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 1,559,016 thousand (2021: AED 1,568,192 thousand) and investment properties under development AED 44,299 thousand (2021: AED 65,197 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 29,425 thousand (2021: AED 2,552 thousand) (note 7 and note 8).	We have performed the following procedures: - Obtained 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 methods used are in accordance with the established standards for valuation of the properties and 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 judgements in determining and 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.	− We involved our internal valuation specialists to review the valuation methodologies, key assumptions and critical judgements used by comparing these with market data, or other publicly available information, on selected properties; − On sample basis, we tested the inputs, if any, provided to the external valuers by management; and − We assessed the disclosures made in the consolidated financial statements is in accordance with the requirements of IFRSs.
Assessment of net realisable value of trading properties and trading properties under development	
The Group has trading properties of AED 42,140 thousand (2021: AED 26,114 thousand) and trading properties held under development of AED 1,696,662 thousand (2021: AED 1,811,327 thousand) as at 31 December 2022 (note 9 and note 12). Impairment loss recorded in the consolidated statement of profit or loss amounted to AED 25,858 thousand (2021: AED 1,647) (note 9 and note 12). Trading properties and trading properties under development are stated at the lower of their costs and their net realisable values. The assessment of the fair value of these properties involves significant judgement 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 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 and assessed the reasonableness of valuation methodologies and assumptions used, such as estimated selling prices, in the valuation for selected properties; − 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, we tested the inputs, if any, provided to the external valuers by management; − On sample basis, tested the net realisable value by comparing property cost to the estimated selling prices and assessed the appropriateness of the carrying value of such properties and any resultant write-down if any; and − We assessed the disclosures made in the consolidated financial statements is 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	How our audit addressed the 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 the satisfaction of performance obligations during the term of the contract. Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to satisfy the performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of each 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.	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; – For those projects where it was determined by the Group's management to recognise revenue over a period of time, we assessed the contractual arrangements with the customers and the reasonableness of the costs estimated to complete the underlying project development; – On a sample basis, we tested that the revenue is per the contract with customer and the costs incurred is per the progress of the project development based on the approved payment certification / invoices. We checked the percentage of completion of the project by comparing the costs incurred to the estimated project development costs; and – We assessed the disclosures made in the consolidated financial statements is in accordance with the requirements of IFRSs.

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.

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. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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. 32 of 2021, we report that for the year ended 31 December 2022:

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. 32 of 2021;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Board of Directors report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2022 (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 2022, any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or Articles of Association of the Company which would materially affect its activities or its financial position as at 31 December 2022; and

viii) note 23 reflects the social contributions made during the year ended 31 December 2022.

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No.: 1258

11 February 2023

Ras Al Khaimah, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Notes	***2022 AED'000***	*2021 AED'000*
ASSETS			
Non-current assets			
Property and equipment	6	**1,648,737**	1,428,630
Investment properties	7	**1,559,016**	1,568,192
Investment properties under development	8	**44,299**	65,197
Trading properties under development	9	**1,501,472**	1,521,038
Investments	10	**40,108**	91,222
Trade receivables, prepayments and other receivables	11	**491,534**	511,162
		5,285,166	5,185,441
Current assets			
Trading properties under development	9	**195,190**	290,289
Inventories		**1,380**	911
Investments	10	**5,447**	9,087
Trading properties	12	**42,140**	26,114
Trade receivables, prepayments and other receivables	11	**292,967**	233,498
Bank balances and cash	13	**492,779**	468,978
		1,029,903	1,028,877
TOTAL ASSETS		**6,315,069**	6,214,318
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	**713,112**	704,832
Retained earnings		**409,057**	402,578
TOTAL EQUITY		**4,122,169**	4,107,410
Non-current liabilities			
Employees' end-of-service benefits	17	**4,051**	3,038
Bank borrowings	18	**806,030**	771,161
Deferred government grants	7	**388,484**	402,859
Trade payable, accruals and other liabilities	19	**19,686**	33,040
		1,218,251	1,210,098
Current liabilities			
Bank borrowings	18	**547,251**	566,881
Trade payable, accruals and other liabilities	19	**427,398**	329,929
		974,649	896,810
TOTAL LIABILITIES		**2,192,900**	2,106,908
TOTAL EQUITY AND LIABILITIES		**6,315,069**	6,214,318

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2023 and signed on their behalf by:

Abdul Aziz Abdullah Al Zaabi
Chairman

Sameh Muhtadi
Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	***2022 AED'000***	*2021 AED'000*
Revenue	20	**408,219**	515,624
Cost of revenue	21	**(267,714)**	(320,692)
GROSS PROFIT		**140,505**	194,932
Other income	22	**26,808**	67,201
Selling, marketing and administrative expenses	23	**(99,854)**	(46,090)
Net change in fair value of investment properties	7	**29,425**	2,552
Write down of trading properties under development	9	**(25,858)**	(254)
Write down of trading properties	12	**-**	(1,393)
OPERATING PROFIT		**71,026**	216,948
Dividend income	10	**469**	596
Net change in fair value of investments through profit or loss		**(665)**	(3,745)
Provision for expected credit losses	11	**(5,231)**	(6,626)
Finance income		**6,812**	7,013
Finance costs	24	**(41,622)**	(12,713)
PROFIT FOR THE YEAR		**30,789**	201,473
Earnings per share attributable to the owners of the Company			
Basic and diluted earnings per share (AED)	25	**0.015**	0.10

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 AED'000	*2021 AED'000*
Profit for the year	**30,789**	201,473
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	**(9,822)**	(1,866)
Other comprehensive loss for the year	**(9,822)**	(1,866)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**20,967**	199,607

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital AED'000	*Statutory reserve AED'000*	*Retained earnings AED'000*	*Other reserves AED'000*	*Total equity AED'000*
At 1 January 2021	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
Profit for the year	-	-	30,789	-	30,789
Other comprehensive loss for the year	-	-	-	(9,822)	(9,822)
Total comprehensive income for the year	-	-	30,789	(9,822)	20,967
Transfer on sale of investments carried at fair value through other comprehensive income	-	-	(14,518)	14,518	-
Board of Directors' remuneration (note 26)	-	-	(6,000)	-	(6,000)
Transfer to other reserves (note 16)	-	-	(3,792)	3,792	-
Utilisation of reserves	-	-	-	(208)	(208)
At 31 December 2022	**2,000,000**	**1,000,000**	**409,057**	**713,112**	**4,122,169**

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	*2022* *AED'000*	*2021* *AED'000*
OPERATING ACTIVITIES			
Profit for the year		**30,789**	201,473
Adjustments for non cash items:			
Depreciation	6	**32,906**	10,032
Finance income		**(6,812)**	(7,013)
Finance cost	24	**41,622**	12,713
Dividend income		**(469)**	(596)
Net change in fair value of investments at fair value through profit or loss		**665**	3,745
Gain on disposal of investments	22	**(927)**	(5,000)
Net change in fair value of investment properties	7	**(29,425)**	(2,552)
Write down of trading properties under development	9	**25,858**	254
Write down of trading properties	12	**-**	1,393
Loss on disposal of property and equipment		**-**	(90)
Expected credit losses on trade, contract and other receivables	11	**5,231**	6,626
Provision for employees' end of service benefits	17	**1,275**	950
Income from government grant	22	**(14,374)**	(58,169)
		86,339	163,766
Changes in working capital:			
Trading properties		**6,173**	35,767
Trading properties under development		**144,403**	75,018
Trade receivables, prepayments and other receivables		**(47,126)**	(258,327)
Inventories		**(469)**	(212)
Trade payable, accruals and other liabilities		**66,855**	27,748
		256,175	43,760
Employees' end of service benefits paid	17	**(262)**	(1,882)
Net cash flows generated from operating activities		**255,913**	41,878
INVESTING ACTIVITIES			
Additions to property and equipment		**(238,490)**	(266,063)
Interest received		**5,691**	7,425
Dividend received		**469**	596
Proceed from disposal of property and equipment		**-**	91
Addition in investment properties		**-**	(478)
Proceeds from disposal of investments at fair value		**-**	-
through profit or loss		**45,193**	5,296
Additions to investment properties under development	8	**(7,478)**	(9,431)
Net cash flows used in investing activities		**(194,615)**	(262,564)
FINANCING ACTIVITIES			
Dividend paid		**(4,145)**	(129)
Borrowings availed	30	**423,769**	257,581
Borrowings repaid	30	**(360,656)**	(75,934)
Interest paid		**(38,446)**	(14,965)
Board of directors' remuneration paid		**(6,000)**	(3,000)
Net cash generated from financing activities		**14,522**	163,553
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**75,820**	(57,133)
Cash and cash equivalents at the beginning of the year	13	**(76,947)**	(19,814)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**(1,127)**	(76,947)

The attached notes 1 to 32 form part of these financial statements.

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 and 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 2022 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, hotel operations, marina 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. 32 of 2021.

(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, which are 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. 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*	
			2022	2021
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%**	100%
RAK Properties Tanzania Limited	RAK Properties International Limited	Tanzania	**100%**	100%
Dolphin Marina Limited	RAK Properties Tanzania Limited	Tanzania	**100%**	100%
RAK Properties Gayreimenkul Pazarlama Anonim Sirketi**	RAK Properties PJSC	Turkey	**100%**	-

*** Incorporated on 11 May 2022.*
** Incorporated on 19 May 2021*

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

2 BASIS OF PREPARATION (continued)

(d) Basis of consolidation (continued)

Subsidiaries
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are adjusted and eliminated in full on consolidation.

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

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 the consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

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:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

***Judgements* (continued)**

(i) Revenue from contracts with customers (continued)

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. 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.

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 recognised. 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) Going concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, these financial statements have been prepared on the going concern basis.

(iii) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Judgements (continued)

(iv) Classification of properties
In the process of classifying properties, management has made various judgements. Judgement 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 judgement consistently in accordance with the definitions of investment property, property and equipment and trading property. In making its judgement, 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 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.

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 consolidated statements of 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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates (continued)

Key sources of estimation uncertainty (continued)

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 consolidated statement of 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.

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 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.

(a) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(a) Revenues from the sale of properties (continued)

- *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.

  Revenue from under development property is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

- *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.

  The Group usually repossesses properties from customers upon a default by them in fulfilling their contractual obligations. Such properties are measured at their fair value less cost to sell at the repossession date. The difference between such fair value less cost to sell the properties repossessed and the carrying amount of the trade receivables and contract assets is recognised in the consolidated statement of comprehensive income, as follows: (a) if higher, as revenue; and (b) if lower, as an impairment loss against the trade receivables and contract assets.

(b) Revenue recognition for hotel operations

Revenue from contracts with customers is recognised when control of the goods are transferred or services rendered to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring to the customer, has pricing latitude and is also exposed to inventory and credit risks.

Revenue is measured at the fair value of the consideration received or receivable net of discounts, service charges and municipality taxes, taking into account contractually defined terms of payment and excluding taxes and duty.

i. Room revenue

Rooms revenue represents revenue generated from the accommodation provided to its customers in respect to rooms' accommodation. Performance obligation is satisfied, and revenue is recognised over the passage of time based on period of stay of customers. Based on the assessment performed by the Group's management, the customers do not have right of returns, there are no variable considerations, warranty obligations or material loyalty points. Generally, advances are received from customers which are disclosed under contract liabilities. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when he customer pays for that good or service will be one year or less.

ii. Revenue from food and beverage, other departments, and service charge

Performance obligation for food and beverage, other departments, and service charge is satisfied and revenue is recognised at a point in time, which is generally upon fullfillement of the customer order and provision of services to customers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(c) Facility management income
Revenue from services such as property management and facilities management is recognised in the period in which the services are rendered over the period of time.

(d) 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.

(e) Forfeiture income
Forfeiture income is recognised in the consolidated statement of 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 the consolidated statement of 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 and equipment. Land is not depreciated. The estimated useful lives for are as follows:

	Years
Buildings	20 – 40
Hotel equipment	15
Furniture and fixtures	4
Computer and office equipment	4
Motor vehicles	4

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

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 carrying value. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties.

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 carrying value of the properties at the date of transfer. 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 transferred to investment properties at carrying value. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties.

Trading properties and trading properties under development
Land and buildings identified as trading properties based on underlying masterplan, 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 the consolidated statement of 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.

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.

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

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

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

Financial liabilities
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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iii) Impairment of financial assets (continued)

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.

(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 consolidated 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 is 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 statement of profit or loss in the year in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 32 of 2021 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 the consolidated statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

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.

In 2022, Turkey became a hyperinflationary economy. Management performed a detailed assessment of the impact of applying IAS 29 Financial Reporting in Hyperinflationary Economies. Based on the assessment management determined that the impact of applying IAS 29 is not material to consolidated financial statements of the Group.

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 (investments) 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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2022.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

4 CHANGES IN ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

Standards, amendments and interpretations issued but not yet effective
The new and amended standards and interpretations that are issued as at 31 December 2022, but are not yet effective, 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
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

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.

(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 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 US Dollar or other currencies are currently pegged to US Dollar.

5 FINANCIAL RISK MANAGEMENT, OBJECTIVE AND POLICIES (continued)

(iii) Market risk (continued)

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, other reserves 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 and previous 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 equity above AED 3,500,000 thousand.

6 PROPERTY AND EQUIPMENT

	Plots of Land AED '000	*Buildings AED '000*	*Hotel equipment AED '000*	*Furniture and fixtures AED '000*	*Computer and office equipment AED '000*	*Motor vehicles AED '000*	*Capital work -in-progress AED '000*	*Total AED '000*
Cost:								
As at 1 January 2021	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
Additions	-	2,384	-	581	602	536	234,178	238,281
Transfers	-	498,634	37,829	27,298	-	-	(563,761)	-
Transfer from investment properties under development (note 8)	-	14,732	-	-	-	-	-	14,732
At 31 December 2022	**561,598**	**684,978**	**37,829**	**32,735**	**9,989**	**1,365**	**437,450**	**1,765,944**
Accumulated depreciation:								
As at 1 January 2021	-	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
Charge for the year	-	23,663	2,233	6,205	702	103	-	32,906
At 31 December 2022	**-**	**94,726**	**2,233**	**10,732**	**8,665**	**851**	**-**	**117,207**
Net book value:								
As at 31 December 2022	**561,598**	**590,252**	**35,596**	**22,003**	**1,324**	**514**	**437,450**	**1,648,737**
As at 31 December 2021	561,598	98,165	-	329	1,424	81	767,033	1,428,630

6 PROPERTY AND EQUIPMENT (continued)

The depreciation charge has been allocated as follows:

	2022	*2021*
	AED '000	*AED '000*
Cost of sales	**6,448**	1,550
Selling, marketing and administrative expenses (note 23)	**26,458**	8,482
At 31 December	**32,906**	10,032

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

During the year, effective 10 February 2022 the Group has commenced operations of a hotel property pursuant to which capital work in progress amounting to AED 563,761 thousand has been capitalized during the year. The depreciation associated with such hotel property amounted to AED 22,601 thousand (2021: Nil).

Capital work-in-progress represents expenditure incurred on the construction of a hotel, which is intended to be used according to the Group's relevant business model. The construction work on this hotel is ongoing at the reporting date and management expects to start the operation of this hotel in FY 2023. Capital work in progress includes borrowing cost capitalised during the year amounting to AED 19,166 thousand (2021: AED 26,839 thousand), calculated using an average capitalisation rate of 5.21% (2021: 3.80%).

Property and equipment pertaining to a hotel property with net book value of AED 664,578 thousand as at 31 December 2022 and certain other items of property and equipment are mortgaged against bank borrowings (note 18).

7 INVESTMENT PROPERTIES

	2022	*2021*
	AED '000	*AED '000*
At 1 January	**1,568,192**	2,475,237
Change in fair value	**29,425**	2,552
Transfer from investment properties under development (note 8)	**-**	255,876
Transfer to trading properties under development (note 9)	**(41,953)**	(1,164,559)
Transfer from / (to) trading properties (note 12)	**3,352**	(914)
At 31 December	**1,559,016**	1,568,192

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 and no significant contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	2022	*2021*
	AED '000	*AED '000*
Rental income derived from investment properties (note 20)	**28,857**	28,649
Direct operating expenses generating rental income (note 21)	**(3,148)**	(1,193)
Net income arising from investment properties carried at fair value	**25,709**	27,456

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 related to 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, management has concluded that 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***
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.	Based on the type and location of the property, the value of each of the properties has been determined by assuming discount rates of 10% to 12% (2021: 11% to 12%) and exit cap rates of 8% to 8.5% (2021: 8% to 8.5%)(discounted cash flow method). The fair value for the properties valued under the discounted cash flow method are sensitive to the change in the above factors.
Sales comparable method This method involves analysing sales and asking prices of similar units and comparing these to the subject property. Comparative analysis is based on similarities in the property rights appraised, market conditions, size, location and physical features.	Prices of land parcels range from AED 4 per square foot to AED 1,312 per square foot (2021: AED 4 per square foot to AED 1,289 per square foot). Prices of commercial properties range from AED 300 per square foot to AED 1,721 per square foot (2021: AED 300 per square foot to AED 1,667 per square foot).

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 plot of 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 14,374 thousand (2021: AED 58,169 thousand) to the consolidated statement of profit or loss. Remaining amount of deferred government grant as at 31 December 2022 is AED 388,484 thousand (2021: AED 402,859 thousand).

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 41,953 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 2022 (2021 : AED 1,164,559 thousand).

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

8 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	2022 ***AED '000***	*2021* *AED '000*
At 1 January	**65,197**	311,642
Cost incurred	**7,478**	9,431
Transferred to investment properties (noted 7)	**-**	(255,876)
Transferred to property and equipment (note 6)	**(14,732)**	-
Transferred to trading properties under development (note 9)	**(13,644)**	-
At 31 December	**44,299**	65,197

Cost incurred include borrowing cost capitalised amounted to AED 2,476 thousand (2021: AED 1,368 thousand), calculated using an average capitalisation rate of 5.17% (2021: 3.81%).

Investment properties under development are located in United Arab Emirates. The Group has no restrictions on the realisability of its investment properties and no significant contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

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, management has concluded that 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***
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.	Based on the type and location of the property, the value of each of the properties has been determined by assuming discount rates of 10% to 12% (2021: 11% to 12%) and exit rates of 8% to 8.5% (2021: 8% to 8.5%). The fair value for the properties valued under the discounted cash flow method are sensitive to the change in the above factors.
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 in the property rights appraised, market conditions, size, location and physical features.	Prices ranges from AED 140 per square foot to AED 215 per square foot (2021: AED 135 per square foot to AED 177 per square foot) .

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

9 TRADING PROPERTIES UNDER DEVELOPMENT

	2022 AED '000	*2021 AED '000*
At 1 January	**1,811,327**	722,041
Cost incurred	**34,301**	152,862
Cost of properties sold	**(62,771)**	(227,881)
Transfer from investment properties (note 7)	**41,953**	1,164,559
Transfer from investment properties under development (note 8)	**13,644**	-
Impairment	**(25,858)**	(254)
Transfer to trading properties (note 12)	**(115,934)**	-
At 31 December	**1,696,662**	1,811,327

	2022 AED '000	*2021 AED '000*
Inside UAE	**1,680,559**	1,795,224
Outside UAE	**16,103**	16,103
	1,696,662	1,811,327
Less: classified as current assets	**(195,190)**	(290,289)
Classified as non-current assets	**1,501,472**	1,521,038

As at 31 December 2022, the Group determined net realisable value of trading properties under development. The estimates of net realisable value are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business. These estimates also take into consideration the purpose for which such properties are held. The determination of net realisable value of trading properties in development is based on external valuations using various valuation methodologies and techniques. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

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

During the year, Board of Directors decided to write down net realisable value of AED 25,858 thousand (2021: AED 254 thousand) based on an independent valuation of net realisable value of trading properties under development.

Trading properties under development include lands held for future development and use amounting to AED 1,465,121 thousand (2021: AED 1,509,922 thousand) based on the business plans approved by the Board of Directors.

Cost of revenue of AED 62,771 thousand (2021: AED 227,881 thousand) has been recognised within cost of revenue in the consolidated statement of profit or loss.

10 INVESTMENTS

	2022 AED '000	*2021 AED '000*
Non-current investments		
At fair value through other comprehensive income		
Investments within UAE		
Unquoted equity investments	**6,098**	4,374
Investments outside UAE		
Unquoted equity investments	**17,565**	19,421
Unquoted real estate funds	**16,445**	26,448
Quoted securities	**-**	40,979
	40,108	91,222

10 INVESTMENTS (continued)

	2022	*2021*
	AED ’000	*AED ’000*
Current investments		
At fair value through profit or loss		
Investments within UAE		
Quoted securities	**-**	2,975
Investments outside UAE		
Unquoted equity investments	**5,447**	6,112
	5,447	9,087

During the year, dividend income received from these investments amounted to AED 469 thousand (2021: AED 596 thousand).

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

	2022	*2021*
	AED ’000	*AED ’000*
At 1 January	**56,355**	82,637
Disposals	**(126)**	(297)
Change in fair value, net	**(10,674)**	(25,985)
At 31 December	**45,555**	56,355

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

	2022	*2021*
	AED ’000	*AED ’000*
Trade receivables (note 20)	**524,550**	244,055
Advances to suppliers and contractors	**73,654**	68,741
Contract assets (note 20)	**159,521**	417,655
VAT receivables	**4,179**	5,512
Other receivables	**44,245**	25,114
	806,149	761,077
Less: Provision for expected credit losses	**(21,648)**	(16,417)
	784,501	744,660
Less: Non-current portion	**(491,534)**	(511,162)
	292,967	233,498

Advances to suppliers and contractors includes amounts advanced to a related party of Nil (2021: AED 779 thousand) (note 26).

Included in advances to suppliers and contractors is an advance paid to a real estate agent of AED 18,841 thousand for purchase of land parcels in Abu Dhabi. The legal formalities for purchase of such land parcels is in progress and is expected to be completed during the year ending 2023.

11 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Trade receivables are backed by post-dated cheques amounting to AED 460,007 thousand (2021: AED 209,657 thousand)

	2022	*2021*
	AED '000	*AED '000*
Movements in provision for expected credit losses:		
At 1 January	**16,417**	9,791
Provision for impairment allowance	**5,231**	6,626
At 31 December	**21,648**	16,417

The ageing analysis of gross trade receivables and contract assets is as follows:

		Neither past due nor	*Past due but not impaired*			
	Total	*impaired*	*0-30 days*	*30-60 days*	*60-90 days*	*>90 days*
	AED '000	*AED '000*	*AED '000*	*AED '000*	*AED '000*	*AED '000*
2022	**684,071**	**602,922**	**44,934**	**2,321**	**187**	**33,707**
2021	661,710	613,880	37,549	2,011	466	7,804

Refer note 30 for details on associated credit risks against the above trade and other receivables

12 TRADING PROPERTIES

	2022	*2021*
	AED '000	*AED '000*
At 1 January	**26,114**	61,881
Transferred (to) / from investment properties (note 7)	**(3,352)**	914
Transferred from advance to suppliers	**-**	17,403
Cost incurred	**31,627**	341
Cost of properties sold	**(128,183)**	(53,032)
Impairment	**-**	(1,393)
Transfer from trading properties under development (note 9)	**115,934**	**-**
At 31 December	**42,140**	26,114

	2022	*2021*
Current:	***AED '000***	*AED '000*
Inside UAE	**27,667**	10,104
Outside UAE	**14,473**	16,010
	42,140	26,114

As at 31 December 2022, the Group determined net realisable value of trading properties. The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business. These estimates also take into consideration the purpose for which such properties are held. The determination of net realisable value of trading properties is based on external valuations using various valuation methodologies and techniques. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

During 2021, the Board of Directors decided to write down net realisable value amounting to AED 1,393 thousand 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).

13 BANK BALANCES AND CASH

	2022	*2021*
	AED '000	*AED '000*
Cash in hand	**288**	17
Bank balances:		
- Current accounts	**50,747**	25,108
- Call accounts	**2,749**	713
- Current accounts – unclaimed dividends	**38,995**	43,140
- Term deposits	**400,000**	400,000
	492,779	468,978

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

	2022	*2021*
	AED '000	*AED '000*
Bank balances and cash	**492,779**	468,978
Less: Current accounts – unclaimed dividends	**(38,995)**	(43,140)
Less: Bank overdraft (note 18)	**(454,911)**	(502,785)
Cash and cash equivalent at the end of the year	**(1,127)**	(76,947)

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 (2021: AED 400,000 thousand) with an maturity period of less than three months. The effective average interest rate on deposits is 0.2 % to 3% per annum (2021: 0.2 % to 1.75% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank borrowings (note 18).

14 SHARE CAPITAL

	2022	*2021*
	AED '000	*AED '000*
Authorised, issued and fully paid up 2,000,000,000 shares (2021: 2,000,000,000 shares) of par value of AED 1 each	**2,000,000**	2,000,000

15 STATUTORY RESERVE

In accordance with UAE Federal Law No. 32 of 2021 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 2021 as the balance in the reserve has reached 50% of paid up share capital of the Company (2021: Nil).

16 OTHER RESERVES

	General reserve AED'000	*Development reserve AED'000*	*Fair value reserve AED'000*	*Others AED'000*	*Total AED'000*
At 1 January 2021	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
Other comprehensive income for the year	-	-	(9,822)	-	(9,822)
Total comprehensive income for the year	-	-	(9,822)	-	(9,822)
Transfer on sale of investments carried at fair value through other comprehensive income	-	-	14,518	-	14,518
Transfer from retained earnings	3,079	-	-	713	3,792
Utilisation of reserves	-	-	-	(208)	(208)
At 31 December 2022	**636,526**	**303,675**	**(227,594)**	**505**	**713,112**

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. During the year, there is no movement in the development reserve (2021: AED 303,675 thousand).

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

	2022	*2021*
	AED '000	*AED '000*
At 1 January	**3,038**	3,970
Charge for the year	**1,275**	950
Payments made during the year	**(262)**	(1,882)
At 31 December	**4,051**	3,038

18 BANK BORROWINGS

	2022	*2021*
	AED '000	*AED '000*
Term loan	**898,370**	835,257
Bank overdraft (note 13)	**454,911**	502,785
Total borrowings	**1,353,281**	1,338,042
Less: current portion	**(547,251)**	(566,881)
Non-current portion	**806,030**	771,161

The Group has obtained overdraft facility of AED 540,000 thousand (2021: AED 540,000 thousand) from commercial banks. Interest on the overdraft are 0.25% to 0.5% per annum over term deposit rates, which are used as security against the overdraft balance. Further, for unsecured bank overdraft, interest is computed at a fixed margin + 3 months (EIBOR) per annum. The balance outstanding as at 31 December 2022 amounted to AED 454,911 thousand (2021: AED 502,785 thousand).

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 400,000 thousand (note 13);
- To route funds 1.5 times of the net clean limit utilised under the overdraft. (On 31 December 2022, the net clean limit utilised was AED 56,596 thousand (31 December 2021: AED 94,369 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 commencing from May 2022 and carries an interest rate of 3 months EIBOR + fixed margin per annum. The outstanding balance at 31 December 2022 amounted to AED 335,413 thousand (2021: AED 320,410 thousand). There is no available drawdown limit on 31 December 2022 (2021: AED 37,950 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 with moratorium 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 2022 amounted to AED 191,131 thousand (2021: AED 112,957 thousand). Available drawdown limit on 31 December 2022 amounted to AED 36,338 thousand (2021: AED 137,043 thousand).

18 BANK BORROWINGS (continued)

- 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 2022 amounted to AED 101,057 thousand (2021: AED 162,999 thousand). There is no available drawdown limit on 31 December 2022 (2021: AED 22,001 thousand).

- During the period, the Company has replaced one of existing loans with new lease rental discounting loan of USD 74,871 thousand (AED 275,000 thousand) availed from a commercial bank in UAE. The new loan is repayable over a period of ten years in 39 equal instalments and final instalment (40th) of USD 29,948 thousand and carry interest at USD secured overnight financing rate (SOFR) plus a fixed margin. The outstanding balance at 31 December 2022 amounted to USD 73,719 thousand (AED 270,769 thousand). There is no available drawdown limit on 31 December 2022 (2021: Nil).

As at 31 December 2022, 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

	2022 AED '000	*2021 AED '000*
Trade payables	**90,145**	100,279
Project accruals	**50,536**	40,906
Contract liabilities (note 20)	**32,065**	37,388
Unclaimed dividends	**38,995**	43,140
Advance connection charges	**141,559**	68,758
Other payables and accruals	**93,784**	72,498
At 31 December	**447,084**	362,969
Less: Non-current portion	**(19,686)**	(33,040)
Current portion	**427,398**	329,929

Trade payables includes amounts due to a related party of AED 31,315 thousand (2021: AED 52,122 thousand) (note 26).

20 REVENUE

	2022 ***AED '000***	*2021* *AED '000*
Type of revenue from contracts with customers		
Sale of properties	**279,588**	459,647
Rooms revenue	**42,755**	-
Food, beverages and other income	**28,634**	-
Facility management income	**26,158**	26,013
Forfeiture income	**2,227**	1,315
Total revenue from contracts with customers	**379,362**	486,975
Other operating income		
Leasing income (note 7)	**28,857**	28,649
Total revenue	**408,219**	515,624

	2022 ***AED '000***	*2021* *AED '000*
Timing of revenue recognition		
Recognised at a point in time	**191,058**	66,596
Recognised over a period of time	**188,304**	420,379
Total revenue from contracts with customers	**379,362**	486,975
Leasing income	**28,857**	28,649
Total revenue	**408,219**	515,624

	2022 ***AED '000***	*2021* *AED '000*
Contract balances		
Trade receivables (note 11)	**524,550**	244,055
Contract assets (note 11)	**159,521**	417,655
Contract liabilities (note 19)	**32,065**	37,388

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:

	2022 ***AED '000***	*2021* *AED '000*
Within one year	**174,318**	40,054
More than one year	**117,709**	36,797
	292,027	76,851

21 COST OF REVENUE

	2022	*2021*
	AED '000	*AED '000*
Cost of sale of properties	**201,639**	293,867
Hotel operations expenses	**31,535**	-
Facility management expenses	**31,036**	25,339
Leasing expenses (note 7)	**3,148**	1,193
Others	**356**	293
	267,714	320,692

Facility management expenses include depreciation expense amounting to AED 6,448 thousand (2021: AED 1,550 thousand) (note 6).

Hotel operation expenses include cost of food and beverages of AED 9,846 thousand and staff cost of AED 14,878 thousand (2021: Nil).

22 OTHER INCOME

	2022	*2021*
	AED '000	*AED '000*
Government grant income (note 7)	**14,374**	58,169
Gain on disposal of investments	**927**	5,000
Late payment fee	**4,630**	4,032
Others	**6,877**	-
	26,808	67,201

*Other income includes delay penalty charged to subcontractor for completed project amounting to AED 6,877 thousand (2021: Nil).

23 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

	2022	*2021*
	AED '000	*AED '000*
Payroll and related expenses	**32,453**	19,208
Depreciation of property and equipment (note 6)	**26,458**	8,482
Advertisement and marketing expenses	**17,046**	6,595
Utility and maintenance expenses	**16,480**	-
Deposits written off	**-**	6,264
Other expenses	**7,417**	5,541
	99,854	46,090

No social contributions was made during the year (2021: nil).

24 FINANCE COSTS

	2022 ***AED '000***	*2021* *AED '000*
Interest on borrowings	**38,816**	11,866
Bank charges	**2,806**	847
	41,622	12,713

Interest cost related to hotel properties under construction amounted to AED 19,166 (2021: AED 26,389) which have been capitalised under capital work in progress (note 6).

25 EARNINGS PER SHARE

The basic and diluted earnings per share is as follows

	2022 ***AED '000***	*2021* *AED '000*
Profit for the year (AED'000)	**30,789**	201,473
Number of shares (in'000)	**2,000,000**	2,000,000
Basic and diluted earnings per share (AED)	**0.015**	0.10

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:

	2022 ***AED '000***	*2021* *AED '000*
Key management personnel of the Group (Director's interests):		
Sub-contracting and purchase of services	**4,740**	321,858
Sale of properties	**-**	3,057

b. Balances with related parties are as follows:

	2022 ***AED '000***	*2021* *AED '000*
Due to a related party - trade payables (note 19)	**31,315**	52,122
Due from related parties – trade receivables, prepayments and other receivables (note 11)	**-**	779

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

Refer note 27 for details of commitments to related parties.

26 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c. Compensation of key management personnel:

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

	2022	*2021*
	AED '000	*AED '000*
Salaries and benefits	**7,253**	5,076
End of service benefits	**417**	319
Board of Directors' remuneration	**6,000**	3,000
	13,670	8,395

The Directors have proposed the Board of Directors' remuneration of AED 3,000 thousand (2021: AED 6,000 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.

27 COMMITMENTS

Significant commitments relating to the property development are as follows:

	2022	*2021*
	AED '000	*AED '000*
Approved and contracted	**370,659**	275,635

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 does not include any commitments to related parties (2021: AED 9,937 thousand) (note 26).

28 DIVIDENDS

The Board of Directors have not proposed any dividend for the year ended 31 December 2022 (2021: Nil).

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 consolidated 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.

29 FAIR VALUE MEASUREMENTS (continued)

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

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 such 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 such information is available.	Net assets value	Higher the net assets value of the investees, higher the fair value.

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).

	Level 1 AED ’000	***Level 2 AED ’000***	***Level 3 AED ’000***	***Total AED ’000***
2022				
Fair value through other comprehensive income				
Unquoted equities and funds	**-**	**-**	**40,108**	**40,108**
Financial assets carried at FVTPL	**-**	**-**	**5,447**	**5,447**
Investment properties	**-**	**-**	**1,559,016**	**1,559,016**
Investment properties under development	**-**	**-**	**44,299**	**44,299**
	-	**-**	**1,648,870**	**1,648,870**

29 FAIR VALUE MEASUREMENTS (continued)

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

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total AED '000*
2021				
Fair value through other comprehensive income				
Unquoted equities and funds	-	-	50,243	50,243
Quoted equity securities	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
	43,954	-	1,689,744	1,733,698

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.

	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 2022				
Investments	**-**	**5,447**	**40,108**	**45,555**
Trade and other receivables*	**721,716**	**-**	**-**	**721,716**
Bank balances	**492,779**	**-**	**-**	**492,779**
	1,214,495	**5,447**	**40,108**	**1,260,050**

	At amortised cost AED '000	*Fair value through profit or loss AED '000*	*Fair value through other comprehensive income AED '000*	*Total AED '000*
31 December 2021				
Investments	-	9,087	91,222	100,309
Trade and other receivables*	659,853	-	-	659,853
Bank balances	468,978	-	-	468,978
	1,128,831	9,087	91,222	1,229,140

* Excluding prepayments and VAT receivables.

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***	***Total AED ’000***
Financial liabilities			
31 December 2022			
Bank borrowings	**1,353,281**	**-**	**1,353,281**
Trade payables, accruals and other liabilities	**415,019**	**-**	**415,019**
	1,768,300	**-**	**1,768,300**

	At amortised cost AED ’000	*Fair value through profit or loss AED ’000*	*Total AED ’000*
31 December 2021			
Bank borrowings	1,338,042	-	1,338,042
Trade payables, accruals and other liabilities	325,581	-	325,581
	1,663,623	-	1,663,623

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 and contract assets
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 2022 and 2021, 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. 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.

30 FINANCIAL RISK MANAGEMENT (continued)

30.1 Credit risk (continued)

Trade receivables and contract assets (continued)
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 and contract assets using the expected credit loss:

31 December 2022

			Past due but not impaired			
	Total AED' 000	***Neither past due nor impaired AED' 000***	***0-30 days AED' 000***	***30-60 days AED' 000***	***60-90 days AED' 000***	***>90 days AED' 000***
Expected credit loss rate	**3.2%**	**2.7%**	**2.7%**	**2.7%**	**2.7%**	**11.8%**
Estimated total gross carrying amount at default	**684,071**	**602,922**	**44,934**	**2,321**	**187**	**33,707**
Expected credit loss	**21,648**	**16,394**	**1,222**	**63**	**5**	**3,964**

31 December 2021

			Past due but not impaired			
	Total AED' 000	*Neither past due nor impaired AED' 000*	*0-30 days AED' 000*	*30-60 days AED' 000*	*60-90 days AED' 000*	*>360 days AED' 000*
Expected credit loss rate	2.5%	1.9%	1.9%	1.9%	1.9%	50.6%
Estimated total gross carrying amount at default	661,710	613,880	37,549	2,011	466	7,804
Expected credit loss	16,417	11,705	716	38	9	3,949

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 investment grade credit ratings assigned by international credit rating agencies and callable on demand. 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 counter party with maximum exposure equal to the carrying amount of these assets.

30 FINANCIAL RISK MANAGEMENT (continued)

30.2 Liquidity risk

At 31 December 2022	***Carrying amount AED' 000***	***Contractual cash flows AED' 000***	***Less than 1 year AED' 000***	***More than 1 year AED' 000***
Trade payables, accruals and other liabilities	**415,019**	**415,019**	**415,019**	**-**
Bank borrowings	**1,353,281**	**1,628,641**	**605,088**	**1,023,553**
	1,768,300	**2,043,660**	**1,020,107**	**1,023,553**

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 payables, accruals and other liabilities	325,581	325,581	325,581	-
Bank borrowings	1,338,042	1,457,262	599,417	857,845
	1,663,623	1,782,843	924,998	857,845

Changes in liabilities arising from financing activities

At 31 December 2022:

	1 January 2022 AED' 000	***Net cash inflows AED' 000***	***Net cash out flows AED' 000***	***31 December 2022 AED' 000***
Bank borrowings (excluding bank overdraft)	**835,257**	**423,769**	**(360,656)**	**898,370**
Unclaimed dividend	**43,140**	**-**	**(4,145)**	**38,995**
	878,397	**423,769**	**(364,801)**	**937,365**

At 31 December 2021:

	1 January 2022 AED' 000	*Net cash inflows AED' 000*	*Net cash out flows AED' 000*	*31 December cash items AED' 000*
Bank borrowings (excluding bank overdraft)	653,608	257,583	(75,934)	835,257
Unclaimed dividend	43,268	-	(128)	43,140
	696,876	257,583	(76,062)	878,397

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 FINANCIAL RISK MANAGEMENT (continued)

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:

	2022 AED '000	*2021 AED '000*
Variable rate instruments		
Financial liabilities		
Bank borrowings	**1,353,281**	1,338,042

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 2022		
Variable rate instruments	**(13,533)**	**13,533**
31 December 2021		
Variable rate instruments	(13,380)	13,380

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.

31 December 2022:

	Property sales AED'000	***Property leasing AED'000***	***Hotel operations AED'000***	***Facility management services & others AED'000***	***Total AED'000***
Revenue	**281,815**	**28,857**	**71,389**	**26,158**	**408,219**
Costs	**(201,639)**	**(3,148)**	**(31,535)**	**(31,392)**	**(267,714)**
Segment profit	**80,176**	**25,709**	**39,854**	**(5,234)**	**140,505**
Total assets	**2,391,184**	**1,603,315**	**1,362,657**	**957,913**	**6,315,069**
Total liabilities	**544,120**	**154,569**	**552,046**	**942,165**	**2,192,900**
Capital expenditure	**-**	**36,903**	**234,475**	**3,806**	**275,184**

31 SEGMENT INFORMATION (continued)

31 December 2021:

	Property sales AED '000	*Property leasing AED '000*	*Facility management services & others AED '000*	*Total AED '000*
Revenue	460,962	28,649	26,013	515,624
Costs	(293,867)	(1,193)	(25,632)	(320,692)
Segment profit	167,095	27,456	381	194,932
Total assets	2,495,700	1,633,388	2,085,230	6,214,318
Total liabilities	450,679	284,493	1,371,736	2,106,908
Capital expenditure	-	11,983	266,063	278,046

32 CORPORATE TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the separate financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.