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Date: 31/7/2021

المرجع: RAKP-LD-E-0027-310721-05  
التاريخ: 2021/7/31

Mr. Hamad Al Ali  
Head of Listing Companies Dept  
Abu Dhabi Securities Exchange Market

السيد/ حمد العلي المحترم  
رئيس إدارة إدراج الشركات  
سوق أبو ظبي للأوراق المالية

Dear Sir:

تحية طيبة وبعد،،،

**Subject: Results of RAK Properties BOD Meeting held on 31/7/2021**

**الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 2021/7/31**

We would like to inform you that the company's BOD held its meeting on Saturday, 31/7/2021 at 12:00 PM, in the company's premises in Ras Al Khaimah and online meeting through Microsoft Teams, and discussed the items set out on the agenda, and approved the audited financial statements of the Second Quarter of 2021.

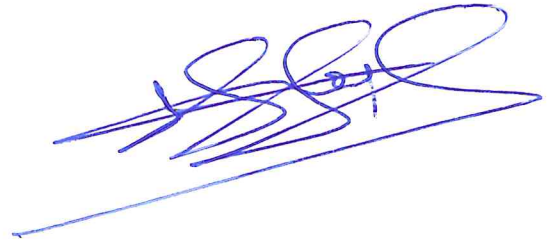
نرجوا التكرم بالعلم بأن مجلس الادارة قد إجتمع يوم السبت الموافق 2021/7/31 في تمام الساعة 12:00 ظهرا وذلك بمقر الشركة برأس الخيمة وعبر التواصل المرئي عبر برنامج مايكروسوفت تيمز، حيث تم مناقشة البنود المدرجة على جدول الأعمال، وتم اعتماد والموافقة على البيانات المالية المدققة للنصف الثاني من عام 2021.

Best Regards,

و تفضلوا بقبول فائق التقدير و الإحترام

Maen Abdol Kareem  
Legal Advisor and Board Secretary

معن عبد الكريم  
المستشار القانوني و أمين سر مجلس الإدارة



## DIRECTORS REPORT ON EARNING AS AT END OF JUNE 30 2021

On behalf of the Board of Directors of RAK Properties PJSC, I am pleased to present the report on Earnings for the period ending 30<sup>th</sup> June 2021.

### HY 2021 Financial Key Highlights:

- Revenue increased by 121% to AED 265.1 million in Q2 2021 vs AED 120.02 million in Q2 2020.
- Net Profit Increased by 348% to AED 119.81 million in Q2 2021 vs AED 26.73 million in Q2 2020.
- Total comprehensive income for the period increased to AED 106.58 million in Q2 2021 vs AED 11.44 million in Q2 2020.
- The total sales backlog is AED 131 million to be recognized over the period of construction based on construction percentage.
- Total Asset increased by 4.4% to AED 6.05 billion vs AED 5.8 billion due to increased investment in the development of hotels and residential properties.

AED M			AED M		
Income Statement			Financial Position		
	30th June 2021	30th June 2020		30th June 2021	31st Dec 2020
Revenue	265.10	120.02	Non current Assets	4,670	4,566
Cost of Revenue	(159.06)	(84.25)	Current Assets	1,382	1,230
<b>Gross Profit</b>	<b>106.04</b>	<b>35.77</b>	<b>Total Assets</b>	<b>6,052</b>	<b>5,796</b>
			Non current Liabilities	995	958
<b>Profit for the period</b>	<b>119.81</b>	<b>26.73</b>	Current Liabilities	1,043	927
			Total Equity	4,014	3,911
Earnings per share for the period (AED)	0.060	0.013	<b>Total Equity and Liability</b>	<b>6,052</b>	<b>5,796</b>

## Development Update

### Residential Projects:

1. **Marbella Villas**, Mina Al Arab, Ras Al Khaimah – 205 villas and townhouses
2. **Julphar Residence**, Reem Island, Abu Dhabi – 266 apartments

The above projects will be handed over during this year.

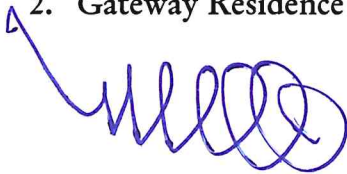
### Hospitality Projects:

1. **Intercontinental Hotel and Resort**, Mina Al Arab, Ras Al Khaimah
2. **Anantara Mina Al Arab Hotel and Resort**, Ras Al Khaimah

The development of the premium Five Star Hotels is progressing well. The Intercontinental Hotel and Resort is scheduled to open in Q4 /2021 and the Anantara Mina Al Arab Hotel and Resort, Ras Al Khaimah is scheduled to start operation in 2022. These two premium assets will add significant value to the revenue stream and strengthen the balance sheet.

### Upcoming Projects:

1. **Bay Residence**, Hayat Island, Mina Al Arab, Ras Al Khaimah
2. **Gateway Residence 2**, a residential tower in Hayat Island, Mina Al Arab



**Mohammad Al Tair**  
**Acting Chief Executive Officer**

**RAK Properties P.J.S.C.  
and its subsidiaries**

**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 JUNE 2021**

**RAK Properties P.J.S.C. and its subsidiaries**

**Unaudited Interim Condensed Consolidated Financial Statements  
For the Period Ended 30 June 2021**

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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF RAK PROPERTIES P.J.S.C.**

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of RAK Properties P.J.S.C. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021, comprising of the interim condensed consolidated statement of financial position as at 30 June 2021, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three month and six month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Signed by:

Wardah Ebrahim

Partner

Registration number: 1258

31 July 2021

Dubai, United Arab Emirates

RAK Properties P.J.S.C. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2021 (Unaudited)

		<i>Six-month period ended</i>		<i>Three-month period ended</i>	
		<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>
Revenue from contracts with customers	3	<b>265,099</b>	120,018	<b>140,804</b>	83,874
Cost of revenue	3	<b>(159,059)</b>	(84,254)	<b>(83,089)</b>	(61,575)
<b>GROSS PROFIT</b>		<b>106,040</b>	35,764	<b>57,715</b>	22,299
Selling, general and administrative expenses	4	<b>(24,177)</b>	(19,734)	<b>(15,077)</b>	(9,308)
Other income		<b>44,004</b>	19,125	<b>17,952</b>	8,697
<b>OPERATING PROFIT</b>		<b>125,867</b>	35,155	<b>60,590</b>	21,688
Net change in fair value of investments at fair value through profit and loss		<b>(3,300)</b>	(2,147)	<b>(3,056)</b>	(613)
Finance income		<b>3,628</b>	5,869	<b>1,799</b>	2,850
Finance costs		<b>(6,989)</b>	(13,236)	<b>(4,263)</b>	(10,324)
Dividend income		<b>603</b>	1,088	<b>603</b>	1,088
<b>PROFIT FOR THE PERIOD</b>		<b>119,809</b>	26,729	<b>55,673</b>	14,689
<b>Earnings per share for the period – basic and diluted (AED)</b>		<b>0.060</b>	0.013	<b>0.028</b>	0.007

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

RAK Properties P.J.S.C. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2021 (Unaudited)

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>
<b>PROFIT FOR THE PERIOD</b>	<b>119,809</b>	26,729	<b>55,673</b>	14,689
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Net change in fair value of investments at fair value through other comprehensive income	<u>(13,233)</u>	<u>(15,289)</u>	<u>(14,462)</u>	<u>(4,716)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>106,576</u></b>	<u>11,440</u>	<b><u>41,211</u></b>	<u>9,973</u>

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.



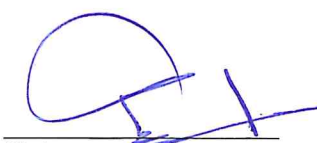
RAK Properties P.J.S.C. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 (Unaudited)

	Notes	30 June 2021 AED'000 (Unaudited)	31 December 2020 AED'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	1,307,770	1,172,600
Investment properties	6	2,475,237	2,475,237
Investment properties under development	7	314,283	311,642
Trading properties under development	8	301,104	300,932
Investments	9	79,855	93,384
Trade and other receivables	10	192,097	212,491
		<u>4,670,346</u>	<u>4,566,286</u>
<b>Current assets</b>			
Trading properties under development	8	397,805	421,109
Inventories		655	699
Investments	9	9,531	12,832
Trading properties	11	41,228	61,881
Trade and other receivables	10	465,286	278,630
Bank balances and cash	12	467,406	454,373
		<u>1,381,911</u>	<u>1,229,524</u>
<b>TOTAL ASSETS</b>		<u><u>6,052,257</u></u>	<u><u>5,795,810</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		2,000,000	2,000,000
Statutory reserve		1,000,000	1,000,000
General reserve		613,300	613,300
Fair value reserve		(243,657)	(230,424)
Retained earnings		644,736	527,927
<b>TOTAL EQUITY</b>		<u>4,014,379</u>	<u>3,910,803</u>
<b>Non-current liabilities</b>			
Provision for employees' end-of-service benefits		3,226	3,970
Borrowings	13	540,209	461,826
Deferred government grants		419,398	461,028
Trade and other payables	14	31,664	31,009
		<u>994,497</u>	<u>957,833</u>
<b>Current liabilities</b>			
Borrowings	13	675,262	622,701
Trade and other payables	14	368,119	304,473
		<u>1,043,381</u>	<u>927,174</u>
<b>TOTAL LIABILITIES</b>		<u>2,037,878</u>	<u>1,885,007</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,052,257</u></u>	<u><u>5,795,810</u></u>

  
Acting Chief Executive Officer

  
Chairman

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

RAK Properties PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2021 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Fair value reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Total equity AED '000</i>
Balance at 1 January 2021 ( <i>Audited</i> )	2,000,000	1,000,000	613,300	(230,424)	527,927	3,910,803
Profit for the period	-	-	-	-	119,809	119,809
Other comprehensive income for the period	-	-	-	(13,233)	-	(13,233)
Total comprehensive income for the period ( <i>Unaudited</i> )	-	-	-	(13,233)	119,809	106,576
Board of Directors' remuneration (note 15)	-	-	-	-	(3,000)	(3,000)
<b>Balance at 30 June 2021 (unaudited)</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>613,300</b>	<b>(243,657)</b>	<b>644,736</b>	<b>4,014,379</b>
Balance at 1 January 2020 ( <i>Audited</i> ) ( <i>restated</i> )	2,000,000	1,000,000	601,948	(216,103)	509,757	3,895,602
Profit for the period	-	-	-	-	26,729	26,729
Other comprehensive income for the period	-	-	-	(15,289)	-	(15,289)
Total comprehensive income for the period ( <i>Unaudited</i> )	-	-	-	(15,289)	26,729	11,440
Board of Directors' remuneration (note 15)	-	-	-	-	(4,000)	(4,000)
Dividends (note 16)	-	-	-	-	(80,000)	(80,000)
Balance at 30 June 2020 ( <i>Unaudited</i> )	2,000,000	1,000,000	601,948	(231,392)	452,486	3,823,042

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

RAK Properties P.J.S.C. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2021 (Unaudited)

	Notes	Six-month period ended	
		30 June 2021 AED'000 (Unaudited)	30 June 2020 AED'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period		119,809	26,729
Adjustments for:			
Depreciation	5	5,000	5,641
Provision for employees' end-of-service benefits		221	311
Finance costs		6,989	13,236
Finance income		(3,628)	(5,869)
Dividend income		(603)	(1,088)
Net change in fair value of investments at fair value through profit or loss		3,300	2,147
Loss on disposal of property and equipment		(90)	-
Government grants	6	(41,630)	(18,181)
Cash from operations before working capital changes		89,368	22,926
Trading properties		20,653	16,745
Trading properties under development		23,132	11,449
Trade and other receivables		(163,325)	(32,431)
Trade and other payables		64,455	7,488
Inventories		44	(95)
Net cash flows from operations		34,327	26,082
Employees end of service benefits paid		(965)	(79)
Net cash from operating activities		33,362	26,003
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment		(140,170)	(89,079)
Interest received		1,063	1,946
Dividend received		603	1,088
Proceeds from disposal of property and equipment		91	-
Proceeds from disposal of investments		296	459
Additions to investment properties		-	(1,130)
Additions to investment properties under development		(2,641)	(4,161)
Net cash used in investing activities		(140,758)	(90,877)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(77)	(80,401)
Borrowings availed		140,295	165,855
Borrowings repaid		(57,334)	(31,662)
Interest paid		(7,360)	(14,609)
Board of directors' remuneration paid		(3,000)	(4,000)
Net cash from financing activities		72,524	35,183
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(34,872)</b>	<b>(29,691)</b>
Cash and cash equivalents at the beginning of the period		(19,814)	(6,723)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	12	<b>(54,686)</b>	<b>(36,414)</b>

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

## 1 CORPORATE INFORMATION

RAK Properties P.J.S.C. ("the Company") is a public joint stock company established under Emiree 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. Subsequently, the Company was registered as a Public Joint Stock Company in accordance with the provisions of the UAE Federal Law No. (2) of 2015. The Company is listed in 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 interim condensed consolidated interim financial statements as at and for the six month period ended 30 June 2021 ("the current period") comprises the Company and its subsidiaries as reflected in note 2.1 below (collectively referred to as "the Group").

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

The interim condensed consolidated financial statements were authorised for issue on 31 July 2021 by the Board of Directors.

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The same accounting policies, methods of computation, significant accounting judgments and estimates and assumptions are followed in these interim condensed consolidated financial statements as compared with the most recent annual consolidated financial statements, except for the new standards and amendments adopted during the current period as explained in note 2.3.

Further, Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand except where otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties, investment properties under development and investments, which are measured at fair value.

The preparation of interim condensed consolidated financial statements on the basis described above requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which for the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and the entity controlled by the Company (its Subsidiaries) as at 30 June 2021. Control is achieved where all the following criteria are met:

- (a) the Company has power over an entity (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) the Company has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) the Company has the ability to use its power over the entity to affect the amount of the Company's returns.

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 period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

### Subsidiary

A subsidiary is fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Details of the Company's subsidiary are as follows:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Ownership %</i>	
		<i>30 June 2021</i>	<i>31 December 2020</i>
RAK Properties International Limited	United Arab Emirates	100%	100%
Lagoon Marina Ship Management & Operation	United Arab Emirates	100%	100%
RAK Properties Tanzania Limited	Tanzania	100%	100%
Dolphin Marina Limited	Tanzania	100%	100%
Intercontinental RAK Mina Al Arab Resorts & Spa L.L.C*	United Arab Emirates	100%	-

\* Incorporated on 19 May 2021

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. 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.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### *Judgements*

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

#### (i) *Revenue from contracts with customers*

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

##### *Determining the timing of revenue recognition on the sale of property*

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

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

##### *Principal versus agent considerations – services to tenants*

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

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

##### *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.

#### (i) *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

#### (ii) *Classification of properties*

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

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### *Judgements (continued)*

#### *(iii) Impact of Covid-19*

Covid-19, was declared a world-wide pandemic by the World Health Organisation on 11 March 2020. The measures taken by various Governments across the world to slow the spread of Covid-19 have had a significant impact on the global economy and businesses. Whilst the existing and anticipated effects of the outbreak of Covid-19 on the economies and businesses are expected to evolve in an uncertain manner, we are cautiously optimistic that the pandemic would be brought under control with the numerous vaccines being deployed, and a semblance of ‘new normality’ expected to arise thereafter.

The Company has taken various measures, amongst others, in a proactive manner to ensure safety and wellbeing of its employees, strategic review of business plans, organisational changes, monitoring of cash flows and costs rationalisation measures.

In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and assumptions, are required to be considered and reported in interim condensed consolidated financial statements. The Group concluded that as of the date of authorisation of these interim condensed consolidated financial statements all the relevant impacts have been appropriately recorded in the interim condensed consolidated financial statements and no additional changes are required to the judgements and key estimates. As the Covid-19 situation remains fluid as of the date of authorisation of these consolidated financial statements, the Group cannot reasonably ascertain the full extent of the probable impact of the Covid-19 disruptions on its operational and financial performance for the six month period ended 30 June 2021.

### **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 interim condensed 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.

#### *(i) Valuation of investment properties and investment properties under development*

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

#### *(ii) Estimation of net realisable value for trading properties and trading properties under development*

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

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### Key sources of estimation uncertainty

#### (iii) 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.

#### (iv) Impairment of property and equipment and capital work in progress

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

#### (v) 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.

#### (vi) 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.

## 2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

### New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS37)*

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity as appropriate. The comparatives are not restated. These amendments has no impact on the condensed consolidated interim financial statements of the Group.



**2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**New standards, interpretations and amendments adopted by the Group (continued)**

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

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

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

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

**3 REVENUE AND COST OF REVENUE**

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>
<b>Revenue</b>				
Sale of properties	237,376	93,686	126,785	71,646
Rental income	14,608	13,276	7,563	5,823
Facility management fee	12,537	12,179	6,328	6,095
Forfeiture income	365	640	-	175
Others	213	237	128	135
	<b>265,099</b>	120,018	<b>140,804</b>	83,874
<b>Cost of revenue</b>				
Cost of sale of properties	147,553	73,386	76,465	56,171
Facility management expenses	11,032	9,817	6,624	5,258
Others	474	1,051	-	146
	<b>159,059</b>	84,254	<b>83,089</b>	61,575

The entire revenue earned by the Group is in the United Arab Emirates.

Below is the split of revenue recognised over a period of time and single point in time:

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>
- Recognised at a point in time	27,260	62,093	4,426	56,604
- Recognised over a period of time	237,839	57,925	136,378	27,270
	<b>265,099</b>	120,018	<b>140,804</b>	83,874

# RAK Properties P.J.S.C. and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

### 4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>
Staff costs	<b>8,988</b>	9,420	<b>4,510</b>	4,833
Sales and marketing expenses	<b>1,906</b>	2,596	<b>973</b>	694
Depreciation	<b>5,000</b>	5,641	<b>2,856</b>	2,776
Other expenses	<b>8,283</b>	2,077	<b>6,738</b>	1,005
	<b>24,177</b>	19,734	<b>15,077</b>	9,308

### 5 PROPERTY AND EQUIPMENT

#### *Additions, disposal and depreciation*

During the six month period ended 30 June 2021, the Group has made additions amounting to AED 140,170 thousand (six month period ended 30 June 2020: AED 89,079 thousand).

The Group is currently constructing certain projects on Mina Al Arab Island relating to the Hotels which are expected to be completed by 2021 and 2022 and the carrying amount at 30 June 2021 was AED 1,000,176 thousand (31 December 2020: AED 860,491 thousand).

The amount of borrowing costs capitalised during the six months ended 30 June 2021 is AED 12,483 thousand (30 June 2020: AED 14,240 thousand) relating to construction of hotel properties. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 3.79% (30 June 2020: 4.07%), which is the effective interest rate of the specific borrowing.

Depreciation of property and equipment for the six months period ended 30 June 2021 amounted to AED 5,000 thousand (30 June 2020: AED 5,641 thousand).

### 6 INVESTMENT PROPERTIES

	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
In UAE	<b>2,475,237</b>	2,475,237

The Government of Ras Al Khaimah has granted certain plots of land with an aggregate area of 67 million square feet on the condition that these lands undergo development.

The Group has accounted for the portion of land granted as deferred government grant. This deferred government grant is released on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities. During the current period, management has recognised AED 41,630 thousand (six month period ended 30 June 2020: AED 18,181 thousand) as other income in the interim condensed consolidated income statement.

The management does not consider the fair value of investment properties for the period ended 30 June 2021 to be significantly different from the fair value as at 31 December 2020. The fair valuation of investment properties was conducted by an independent external valuer as at 31 December 2020. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2021, unless there are indicators which suggest a significant change in the fair value.

## RAK Properties P.J.S.C. and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

#### 7 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
Balance at beginning of the period / year	<b>311,642</b>	312,573
Cost incurred during the period / year	<b>2,641</b>	7,178
Transferred to property and equipment	<b>-</b>	(8,109)
	<b>314,283</b>	311,642

Investment properties under development are located in United Arab Emirates. Refer note 18 on fair valuation of investment properties under development.

The amount of borrowing costs capitalised during the six months ended 30 June 2021 is AED 621 thousand (30 June 2020: AED 737 thousand) relating to construction of investment properties under development. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 3.79% (30 June 2020: 4.07%), which is the effective interest rate of the specific borrowing.

The management does not consider the fair value of investment properties under development for the period ended 30 June 2021 to be significantly different from the fair value as at 31 December 2020. The fair valuation of investment properties under development was conducted by an independent external valuer as at 31 December 2020.

Management intends to appoint independent external valuer to determine the fair value as at 31 December 2021, unless there are indicators which suggest a significant change in the fair value.

#### 8 TRADING PROPERTIES UNDER DEVELOPMENT

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
Inside UAE	<b>682,552</b>	705,684
Outside UAE	<b>16,357</b>	16,357
	<b>698,909</b>	722,041
Less: current assets	<b>(397,805)</b>	(421,109)
Non-current assets	<b>301,104</b>	300,932

Trading properties under development include lands held for future development and use amounting to AED 316,172 thousand (Current: AED 96,373 thousand and Non-current: AED 219,799 thousand) (31 December 2020: AED 351,789 thousand (Current: AED 131,990 thousand and Non-current: AED 219,799 thousand)).

## RAK Properties P.J.S.C. and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

#### 9 INVESTMENTS

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
<b>Non-current</b>		
<i>Investments at fair value through other comprehensive income</i>	<b>79,855</b>	93,384
<b>Current</b>		
<i>Investments at fair value through profit or loss</i>	<b>9,531</b>	12,832

The details of the Group's investments are as follows:

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
<b>Non-current</b>		
<i>Investments at fair value through other comprehensive income</i>		
<i>Investments within UAE</i>		
Unquoted private equity investments	5,177	5,689
<i>Investments outside UAE</i>		
Unquoted private equity investments	21,132	23,989
Unquoted funds	27,698	43,790
Quoted securities	25,848	19,916
	<b>74,678</b>	87,695
	<b>79,855</b>	93,384
<b>Current</b>		
<i>Investments at fair value through profit or loss</i>		
<i>Investments within UAE</i>		
Quoted securities within UAE	3,419	3,663
<i>Investments outside UAE</i>		
Unquoted securities outside UAE	6,112	9,169
	<b>9,531</b>	12,832

The details of valuation techniques and assumptions applied for the measurement of fair value of financial instruments are mentioned in note 18 of the interim condensed consolidated financial statement.

## RAK Properties P.J.S.C. and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

#### 10 TRADE AND OTHER RECEIVABLES

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
Trade receivables	277,300	286,260
Advances to suppliers and contractors	98,834	115,351
Contract assets	256,424	66,315
VAT receivable	4,458	4,242
Other receivables	30,158	28,744
	<u>667,174</u>	<u>500,912</u>
Less: Provision for expected credit losses	(9,791)	(9,791)
	<u>657,383</u>	<u>491,121</u>
Less: Current portion	(465,286)	(278,630)
	<u>192,097</u>	<u>212,491</u>

Advances to suppliers and contractors includes amounts due from a related party of AED 18,785 thousand (31 December 2020: AED 35,142 thousand) (note 15).

Movements in provision for expected credit loss:

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
Balance at beginning of the period / year	9,791	9,221
Provision for impairment allowance for the period / year	-	570
	<u>9,791</u>	<u>9,791</u>

#### 11 TRADING PROPERTIES

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
At 1 January	61,881	42,380
Transferred to investment properties (note 6)	-	(33,900)
Transferred from investment properties (note 6)	-	90,338
Transferred from trading properties under development (note 8)	-	30,679
Cost of properties sold	(20,653)	(67,616)
	<u>41,228</u>	<u>61,881</u>

All trading properties are located in United Arab Emirates.

The management does not consider the fair value of trading properties for the period ended 30 June 2021 to be significantly different from the fair value as at 31 December 2020. Fair valuation of trading properties was conducted by an independent external valuer as at 31 December 2020.

## RAK Properties P.J.S.C. and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

#### 12 BANK BALANCES AND CASH

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
Cash in hand	8	20
Bank balances:		
- Current accounts	23,808	10,900
- Call accounts	398	185
- Current accounts – unclaimed dividends	43,192	43,268
- Term deposits	400,000	400,000
	<u>467,406</u>	<u>454,373</u>

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

The effective average interest rate on deposits is in between 1% to 2% per annum (2020: 2.25% to 3% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank overdraft (note 13).

Bank balances and cash are maintained in United Arab Emirates.

For the purpose of interim condensed consolidated statement of cash flows, cash and cash equivalents comprises of the following amounts:

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>30 June 2020 AED'000 (unaudited)</b>
Bank balances and cash	467,406	449,866
Less: Current accounts – unclaimed dividends	(43,192)	(46,622)
Less: Bank overdraft (note 13)	(478,900)	(439,658)
	<u>(54,686)</u>	<u>(36,414)</u>

#### 13 BORROWINGS

	<b>30 June 2021 AED'000 (Unaudited)</b>	<b>31 December 2020 AED'000 (Audited)</b>
Term loans	736,571	653,608
Bank overdrafts	478,900	430,919
Total borrowings	1,215,471	1,084,527
Less: Current portion	(675,262)	(622,701)
Non-current portion	<u>540,209</u>	<u>461,826</u>

During the previous years, the Group has obtained an overdraft facilities of AED 540,000 thousand from commercial banks. Interest on overdrafts, which is secured by term deposit is 0.5% over such term deposit rates. Further, for unsecured bank overdrafts, interest is computed at a fixed rate + 3 months EIBOR. The balance outstanding as at 30 June 2021 amounted to AED 478,900 thousand (31 December 2020: AED 430,919 thousand).

## RAK Properties P.J.S.C. and its subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

#### 13 BORROWINGS (continued)

The overdraft facilities of the Group are secured by:

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

The details of the long term bank loans, including terms of repayment, interest rate are set out in the consolidated financial statements of the Group for the year ended 31 December 2020.

The bank borrowing agreements (“Agreements”) contain certain restrictive covenants including maintaining Debt to EBITDA ratio. The Group complied with the annual bank covenants as at 31 December 2020.

Term 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
- 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.

#### 14 TRADE AND OTHER PAYABLES

	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Trade payables	<b>83,274</b>	64,822
Project accruals	<b>85,838</b>	80,855
Contract liabilities	<b>37,420</b>	35,023
Unclaimed dividends	<b>43,192</b>	43,268
Other payables and accruals	<b>150,059</b>	111,514
	<b>399,783</b>	335,482
Less: Current portion	<b>(368,119)</b>	(304,473)
Non-current portion	<b>31,664</b>	31,009

Trade payables includes amounts due to a related party of AED 50,256 thousand (31 December 2020: AED 34,258 thousand) (note 15).

# RAK Properties P.J.S.C. and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

### 15 RELATED PARTY DISCLOSURES

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 following are the significant related party transactions included in the interim condensed consolidated income statement :*

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2020 AED'000 (Unaudited)</i>
<b><i>Affiliated entities:</i></b>				
Purchase of services	<b>159,691</b>	97,840	<b>69,551</b>	49,343
<b><i>Directors, Key management personnel and their related parties:</i></b>				
Salaries and benefits	<b>2,374</b>	2,331	<b>1,084</b>	1,319
End of service benefits	<b>142</b>	136	<b>68</b>	68
Directors remuneration	<b>3,000</b>	4,000	<b>3,000</b>	-
	<b>5,516</b>	6,467	<b>4,152</b>	1,387

b) *Balances with related parties included in the interim condensed consolidated statement of financial position:*

	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Due to a related party - trade payables (note 14)	<b>50,256</b>	34,258
Due from a related party – advance to suppliers and contractors (note 10)	<b>18,785</b>	35,142

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

### 16 DIVIDENDS

The Board of Directors did not propose any dividend relating to the profits for the year ended 31 December 2020 (2019: AED 80,000 @ AED 4 fils per share).

### 17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Commitments relating to the property development are as follows:

	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>31 December 2020 AED'000 (Audited)</i>
Approved and contracted	<b>320,859</b>	540,777

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



**17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (continued)**

The above includes commitments to a related party of AED 86,030 thousand (31 December 2020: AED 217,630 thousand).

**18 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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 condensed consolidated financial information approximate their fair values.

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

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2020.

Fair value measurements recognised in the interim condensed consolidated statement of financial position

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

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

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
<b>30 June 2021 (Unaudited)</b>				
Fair value through other comprehensive income				
<i>Unquoted equities and funds</i>	-	-	54,007	54,007
<i>Quoted equity securities</i>	25,848	-	-	25,848
Financial assets carried at FVTPL	3,419	-	6,112	9,531
Investment properties	-	-	2,475,237	2,475,237
Investment properties under development	-	-	314,283	314,283
	<u>29,267</u>	<u>-</u>	<u>2,849,639</u>	<u>2,878,906</u>

# RAK Properties P.J.S.C. and its subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2021 (Unaudited)

### 18 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
31 December 2020 (Audited)				
Fair value through other comprehensive income				
<i>Unquoted equities and funds</i>	-	-	73,468	73,468
<i>Quoted equity securities</i>	19,916	-	-	19,916
Financial assets carried at FVTPL	3,663	-	9,169	12,832
Investment properties	-	-	2,475,237	2,475,237
Investment properties under development	-	-	311,642	311,642
	<u>23,579</u>	<u>-</u>	<u>2,869,516</u>	<u>2,893,095</u>

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

### 19 SEGMENT REPORTING

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

	<i>Property sales</i> <i>AED '000</i>	<i>Property leasing</i> <i>AED '000</i>	<i>Facility management income</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<i>Six month period ended 30 June 2021 (Unaudited)</i>				
Revenue	<u>237,741</u>	<u>14,608</u>	<u>12,750</u>	<u>265,099</u>
Gross profit	<u>90,187</u>	<u>14,290</u>	<u>1,563</u>	<u>106,040</u>
<i>As at 30 June 2021 (Unaudited)</i>				
Total assets	<u>1,262,483</u>	<u>2,789,520</u>	<u>2,000,254</u>	<u>6,052,257</u>
Total liabilities	<u>405,958</u>	<u>297,226</u>	<u>1,334,694</u>	<u>2,037,878</u>
Capital expenditure	<u>-</u>	<u>2,641</u>	<u>140,170</u>	<u>142,811</u>
	<i>Property sales</i> <i>AED '000</i>	<i>Property leasing</i> <i>AED '000</i>	<i>Others</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
<i>Six month period ended 30 June 2020 (Unaudited)</i>				
Revenue	<u>94,326</u>	<u>13,276</u>	<u>12,416</u>	<u>120,018</u>
Gross profit	<u>20,941</u>	<u>12,404</u>	<u>2,419</u>	<u>35,764</u>
<i>As at 31 December 2020 (Audited)</i>				
Total assets	<u>1,133,395</u>	<u>2,786,879</u>	<u>1,875,536</u>	<u>5,795,810</u>
Total liabilities	<u>367,920</u>	<u>295,981</u>	<u>1,221,106</u>	<u>1,885,007</u>
Capital expenditure	<u>-</u>	<u>160,061</u>	<u>430,043</u>	<u>590,104</u>