

Ref: RAKP-LD-E-0010-260722-05
Date: 30 July 2022

المرجع: RAKP-LD-E-0010-260722-05
التاريخ: 30 يوليو 2022

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 30/7/2022**

**الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة
العقارية المنعقد بتاريخ 2022/7/30**

We would like to inform you that the company's BOD held its meeting on Saturday, 30/7/2022 at 10:00 AM, in the company premises in Ras Al Khaimah and virtually through Microsoft Teams, and discussed the items set out in the agenda, and the board resolved to approve the reviewed financial statements of the second quarter for the year 2022. In addition, the Board endorsed the award of Bay residence Tender- Hayat Island in Mina Al Arab to Airolink Building contracting.

نرجوا التكرم بالعلم بأن مجلس الادارة قد إجتمع يوم السبت الموافق 2022/7/30 في تمام الساعة 10:00 صباحا وذلك في مقر الشركة برأس الخيمة وكذلك من خلال الحضور الافتراضي عبر برنامج مايكروسوفت تيمز، حيث تم مناقشة البنود المدرجة على جدول الأعمال، وعليه تم اعتماد البيانات المالية المراجعة للربع الثاني من عام 2022. كما صادق المجلس على ترسية مناقصة تنفيذ مشروع بي ريزدنس جزيرة الحياة في ميناء العرب على السادة شركة إيرولينك لمقاولات البناء.

Best Regards,

Maen Abdul Kareem
Legal Advisor of RAK Properties



و تفضلوا بقبول فائق التقدير و الإحترام

معن عبد الكريم
المستشار القانوني لشركة رأس الخيمة العقارية

DIRECTORS REPORT FOR 6 MONTHS PERIOD ENDED 30 JUNE 2022

On behalf of the Board of Directors of RAK Properties PJSC, I am pleased to present the financial result of the company for first half 2022.

H1 of the year 2022 Key Financial Highlights:

- Revenue for the period amounted to AED 193.99 million vs AED 265.10 million same period last year.
- Net Profit for the period amounted to AED 25.55 million vs AED 119.81 million same period last year.
- Total comprehensive income for the period amounted to AED 25.74 million vs AED 106.58 million same period last year.
- Total Asset stood by AED 6.23 billion in H1 2022 vs AED 6.21 billion in December 2021.
- Total Equity stood by AED 4.13 billion in H1 2022 vs AED 4.10 billion in December 2021

Income Statement

AED Million

	30 th June 2022	30 th June 2021
Revenue	193.99	265.10
Cost of Revenue	(134.91)	(159.06)
Gross Profit	59.08	106.04
Operating Profit	37.95	125.87
Profit for the period	25.55	119.81
Total comprehensive income	25.74	106.58

Financial Position

AED Million

	30 th June 2022	31 st Dec 2021
Non-Current Assets	5,186.86	5,185.44
Current Assets	1,045.59	1,028.88
Total Assets	6,232.45	6,214.32
Non-Current Liabilities	1,187.46	1,210.10
Current Liabilities	917.84	896.81
Capital and Reserves	4,127.15	4,107.41
Total Equity & Liabilities	6,232.45	6,214.32

Development Update

Residential Projects:

1. **Marbella Villas**, Mina Al Arab, Ras Al Khaimah – 207 villas and townhouses
Completed and handing over has been done to end users.
2. **Julphar Residence**, Reem Island, Abu Dhabi – 266 apartments
The Project is completed and BCC issued

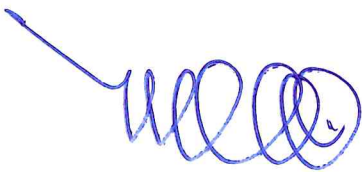
Hospitality Projects:

1. **Intercontinental Ras Al Khaimah Mina Al Arab Resort and SPA**
Hotel is in operation now from 11th February 2022
2. **Anantara Mina Al Arab Hotel and Resort**, Ras Al Khaimah
The construction is progressing as per development plan

These two premium assets will add significant value to the revenue stream and strengthen the balance sheet of the company.

Upcoming Projects:

1. **Bay Residence**, Hayat Island, Mina Al Arab, Ras Al Khaimah
Project construction contract has been awarded, which is under mobilization now, and tower 2 sales has been started in Q2 2022
2. **Gateway Residence 2**, a residential tower in Hayat Island, Mina Al Arab
Construction contract has been awarded and Sales has been launched in Q1 2022
3. **Marbella Extension**, a residential villa in Hayat Island, Mina Al Arab
Final design is under review and project will be launched soon.
4. **Beach Front Plot**, in Hayat Island, Mina Al Arab
Development of 14 beach front plot in Hayat Island is under design stage



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 2022

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

**Unaudited Interim Condensed Consolidated Financial Statements
For the Period Ended 30 June 2022**

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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 2022, comprising of the interim consolidated statement of financial position as at 30 June 2022, and the related interim condensed consolidated income statement, 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

30 July 2022

Dubai, United Arab Emirates

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2022 (Unaudited)

		<i>Six-month period ended</i>		<i>Three-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
<i>Notes</i>		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts with customers	3	193,992	265,099	86,742	140,804
Cost of revenue	3	(134,909)	(159,059)	(60,450)	(83,089)
GROSS PROFIT		59,083	106,040	26,292	57,715
Selling, general and administrative expenses	4	(42,001)	(24,177)	(24,451)	(15,077)
Other income		20,863	44,004	1,681	17,952
OPERATING PROFIT		37,945	125,867	3,522	60,590
Net change in fair value of investments at fair value through profit and loss		-	(3,300)	-	(3,056)
Finance income		2,913	3,628	1,504	1,799
Finance costs		(15,772)	(6,989)	(10,419)	(4,263)
Dividend income		469	603	469	603
PROFIT / (LOSS) FOR THE PERIOD		25,555	119,809	(4,924)	55,673
Earnings per share for the period – basic and diluted (AED)	17	0.013	0.060	(0.002)	0.028

The accompanying notes 1 to 20 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 2022 (Unaudited)

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>
PROFIT / (LOSS) FOR THE PERIOD	25,555	119,809	(4,924)	55,673
Other comprehensive loss / income:				
<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	187	(13,233)	(256)	(14,462)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	25,742	106,576	(5,180)	41,211

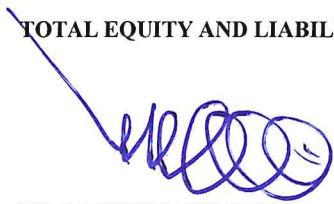
The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

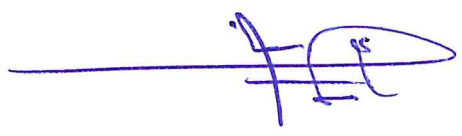
RAK Properties P.J.S.C. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (Unaudited)

	<i>Notes</i>	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
ASSETS			
Non-current assets			
Property and equipment	5	1,555,589	1,428,630
Investment properties	6	1,576,848	1,568,192
Investment properties under development	7	41,112	65,197
Trading properties under development	8	1,465,720	1,521,038
Investments	9	50,243	91,222
Trade and other receivables	10	497,352	511,162
		<u>5,186,864</u>	<u>5,185,441</u>
Current assets			
Trading properties under development	8	220,236	290,289
Inventories		1,275	911
Investments	9	6,112	9,087
Trading properties	11	105,973	26,114
Trade and other receivables	10	215,268	233,498
Bank balances and cash	12	496,725	468,978
		<u>1,045,589</u>	<u>1,028,877</u>
TOTAL ASSETS		<u><u>6,232,453</u></u>	<u><u>6,214,318</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		2,000,000	2,000,000
Statutory reserve		1,000,000	1,000,000
Retained earnings		407,371	402,578
Other reserves		719,781	704,832
TOTAL EQUITY		<u>4,127,152</u>	<u>4,107,410</u>
Non-current liabilities			
Provision for employees' end-of-service benefits		4,075	3,038
Borrowings	14	770,358	771,161
Deferred government grants		392,571	402,859
Trade and other payables	15	20,454	33,040
		<u>1,187,458</u>	<u>1,210,098</u>
Current liabilities			
Borrowings	14	532,217	566,881
Trade and other payables	15	385,626	329,929
		<u>917,843</u>	<u>896,810</u>
TOTAL LIABILITIES		<u>2,105,301</u>	<u>2,106,908</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,232,453</u></u>	<u><u>6,214,318</u></u>


Acting Chief Executive Officer


Vice Chairman

The accompanying notes 1 to 20 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 2022 (Unaudited)

	<i>Share capital AED '000</i>	<i>Statutory reserve AED '000</i>	<i>Retained earnings AED '000</i>	<i>Other reserves AED '000</i>	<i>Total equity AED '000</i>
Balance at 1 January 2021 <i>(Audited)</i>	2,000,000	1,000,000	527,927	382,876	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 (unaudited)	-	-	119,809	(13,233)	106,576
Board of Directors' remuneration (note 16)	-	-	(3,000)	-	(3,000)
Balance at 30 June 2021 (unaudited)	2,000,000	1,000,000	644,736	369,643	4,014,379
Balance at 1 January 2022 <i>(Audited)</i>	2,000,000	1,000,000	402,578	704,832	4,107,410
Profit for the period	-	-	25,555	-	25,555
Other comprehensive income for the period	-	-	-	187	187
Total comprehensive income for the period (unaudited)	-	-	25,555	187	25,742
Transfer to other reserves	-	-	(244)	244	-
Transfer on sale of investments carried at fair value through other comprehensive income	-	-	(14,518)	14,518	-
Board of Directors' remuneration (note 16)	-	-	(6,000)	-	(6,000)
Balance at 30 June 2022 (unaudited)	2,000,000	1,000,000	407,371	719,781	4,127,152

The accompanying notes 1 to 20 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 2022 (Unaudited)

		<i>Six-month period ended</i>	
		<i>30 June</i>	<i>30 June</i>
		<i>2022</i>	<i>2021</i>
<i>Notes</i>		<i>AED'000</i>	<i>AED'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		25,555	119,809
Adjustments for:			
Depreciation	5	14,973	5,000
Provision for employees' end-of-service benefits		1,193	221
Finance costs		15,772	6,989
Finance income		(2,913)	(3,628)
Dividend income		(469)	(603)
Profit on sale of investments		(927)	-
Net change in fair value of investments at fair value through profit or loss (FVTPL)		-	3,300
Loss on disposal of property and equipment		-	(90)
Government grant income		(10,288)	(41,630)
Cash from operations before working capital changes		42,896	89,368
Trading properties		(54,309)	20,653
Trading properties under development		139,015	23,132
Trade and other receivables		34,117	(163,325)
Trade and other payables		17,694	64,455
Inventories		(364)	44
Net cash flows from operations		179,049	34,327
Employees end of service indemnity paid		(156)	(965)
Net cash from operating activities		178,893	33,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(127,199)	(140,170)
Interest received		837	1,063
Dividend received		469	603
Proceeds from disposal of property and equipment		-	91
Proceeds from disposal of investments		45,067	296
Additions to investment properties		(8,656)	-
Additions to investment properties under development		(4,291)	(2,641)
Net cash used in investing activities		(93,773)	(140,758)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(67)	(77)
Borrowings availed		74,371	140,295
Borrowings repaid		(21,613)	(57,334)
Interest paid		(15,772)	(7,360)
Board of directors' remuneration paid		(6,000)	(3,000)
Net cash from financing activities		30,919	72,524
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		116,039	(34,872)
Cash and cash equivalents at the beginning of the period		(76,947)	(19,814)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		39,092	(54,686)
	12		

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2022 (Unaudited)

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 financial statements as at and for the six month period ended 30 June 2022 ("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 30 July 2022 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 2022 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 Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. (2) of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Group is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Group'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 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. The nature of Group's hotel operations is such that the income and expenditure are incurred in a manner, which is impacted by some form of seasonality. However, such seasonality is not expected to have a material impact on the overall operations of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2022 (Unaudited)

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 subsidiary) as at 30 June 2022. 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 2022</i>	<i>31 December 2021</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*	United Arab Emirates	100%	100%
RAK Properties Gayreimenkul Pazarlama Anonim Sirketi**	Turkey	100%	-

* Incorporated on 19 May 2021 and commenced commercial operations from 10 February 2022.

** Incorporated on 11 May 2022 after completion of all legal formalities.

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.

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

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

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(iii) Classification of properties

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

The Group 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.

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.

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.

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

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

Calculation of expected credit loss allowance

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

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (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 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.

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 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time Adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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3 REVENUE AND COST OF REVENUE

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>
Revenue				
Sale of properties	141,783	237,376	56,612	126,785
Hotel operations	24,406	-	16,001	-
Rental income	14,378	14,608	7,207	7,563
Facility management fee	12,770	12,537	6,477	6,328
Forfeiture income	457	365	357	-
Others	198	213	88	128
	193,992	265,099	86,742	140,804
Cost of revenue				
Cost of sale of properties	105,983	147,553	43,449	76,465
Hotel operations	12,338	-	8,335	-
Facility management expenses	14,306	11,032	8,233	6,624
Others	2,282	474	433	-
	134,909	159,059	60,450	83,089

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 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>
- Recognised at a point in time	97,794	27,260	41,066	4,426
- Recognised over a period of time	96,198	237,839	45,676	136,378
	193,992	265,099	86,742	140,804

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2022 (Unaudited)

4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>
Staff costs	14,655	8,988	7,429	4,510
Sales and marketing expenses	6,686	1,906	3,893	973
Depreciation	11,749	5,000	7,352	2,856
Other expenses	8,911	8,283	5,777	6,738
	42,001	24,177	24,451	15,077

5 PROPERTY AND EQUIPMENT

Additions, disposal and depreciation

During the six month period ended 30 June 2022, the Group has made additions amounting to AED 127,199 thousand (six month period ended 30 June 2021: AED 140,170 thousand).

The Group is currently constructing certain projects on Mina Al Arab Island. These projects are expected to be completed by 2023 and the carrying amount at 30 June 2022 was AED 576,656 thousand (31 December 2021: AED 1,123,515 thousand).

The amount of borrowing costs capitalised during the six months ended 30 June 2022 is AED 11,093 thousand (30 June 2021: AED 12,483 thousand) relating to construction of hotel properties. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 3.80% (30 June 2021: 3.79%), which is the effective interest rate of the specific borrowing.

Depreciation of property and equipment for the six months period ended 30 June 2022 amounted to AED 14,973 thousand (30 June 2021: AED 5,000 thousand).

6 INVESTMENT PROPERTIES

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inside UAE	1,576,848	1,568,192

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 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 period, management has recognised AED 10,288 thousand (six month period ended 30 June 2021: AED 41,630 thousand) to the interim condensed consolidated income statement.

The management does not consider the fair value of investment properties for the period ended 30 June 2022 to be significantly different from the fair value as at 31 December 2021. The fair valuation of investment properties was conducted by an independent external valuer as at 31 December 2021. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2022, unless there are indicators which suggest a significant change in the fair value.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2022 (Unaudited)

7 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inside UAE	<u>41,112</u>	<u>65,197</u>

The management does not consider the fair value of investment properties under development for the period ended 30 June 2022 to be significantly different from the fair value as at 31 December 2021. The fair valuation of investment properties under development was conducted by an independent external valuer as at 31 December 2021. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2022, unless there are indicators which suggest a significant change in the fair value. Refer note 19 on fair valuation of investment properties under development.

8 TRADING PROPERTIES UNDER DEVELOPMENT

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inside UAE	<u>1,669,853</u>	<u>1,795,224</u>
Outside UAE	<u>16,103</u>	<u>16,103</u>
	<u>1,685,956</u>	<u>1,811,327</u>
Less: Classified as current assets	<u>(220,236)</u>	<u>(290,289)</u>
Classified as non-current assets	<u>1,465,720</u>	<u>1,521,038</u>

Trading properties under development include lands held for future development and use amounting to AED 1,460,566 thousand (31 December 2021: AED 1,509,922 thousand).

9 INVESTMENTS

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Non-current		
Investments at fair value through other comprehensive income	<u>50,243</u>	<u>91,222</u>
Current		
Investments at fair value through profit or loss	<u>6,112</u>	<u>9,087</u>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2022 (Unaudited)

9 INVESTMENTS (continued)

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

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Non-current		
<i>Investments at fair value through other comprehensive income</i>		
<i>Investments within UAE</i>		
Unquoted private equity investments	4,374	4,374
<i>Investments outside UAE</i>		
Unquoted private equity investments	19,421	19,421
Unquoted funds	26,448	26,448
Quoted securities	-	40,979
	45,869	86,848
	50,243	91,222
	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Current		
<i>Investments at fair value through profit or loss</i>		
<i>Investments within UAE</i>		
Quoted securities within UAE	-	2,975
<i>Investments outside UAE</i>		
Unquoted securities outside UAE	6,112	6,112
	6,112	9,087

The Group has sold quoted securities carried at fair value through profit or loss at AED 3,902 thousand during the current period and have recorded gain on sale of quoted securities amounting to AED 927 thousand in the interim condensed consolidated income statement.

The Group has sold quoted securities carried at fair value through other comprehensive income at AED 41,166 thousand during the current period and have recorded gain on sale of quoted securities amounting to AED 187 thousand in the interim condensed consolidated statement of comprehensive income.

The details of valuation techniques and assumptions applied for the measurement of fair value of financial instruments are mentioned in note 19 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 2022 (Unaudited)

10 TRADE AND OTHER RECEIVABLES

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Trade receivables	467,992	244,055
Advances to suppliers and contractors	58,028	68,741
Contract assets	166,085	417,655
VAT receivable	1,357	5,512
Other receivables	35,575	25,114
	<u>729,037</u>	<u>761,077</u>
Less: Provision for expected credit losses	(16,417)	(16,417)
	<u>712,620</u>	<u>744,660</u>
Less: Current portion	(215,268)	(233,498)
Non-current portion	<u>497,352</u>	<u>511,162</u>

Advances to suppliers and contractors includes amounts due from a related party of AED 1,697 thousand (31 December 2021: AED 779 thousand) (note 16).

Movements in provision for expected credit loss:

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Balance at beginning of the period / year	16,417	9,791
Provision for impairment allowance for the period / year	-	6,626
Balance at the end of the period / year	<u>16,417</u>	<u>16,417</u>

11 TRADING PROPERTIES

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inside UAE	89,963	10,104
Outside UAE	16,010	16,010
	<u>105,973</u>	<u>26,114</u>

The management does not consider the fair value of trading properties for the period ended 30 June 2022 to be significantly different from the fair value as at 31 December 2021. Fair valuation of trading properties was conducted by an independent external valuer as at 31 December 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

12 BANK BALANCES AND CASH

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Cash in hand	188	17
Bank balances:		
- Current accounts	52,704	25,108
- Call accounts	760	713
- Current accounts – unclaimed dividends	43,073	43,140
- Term deposits	400,000	400,000
	<u>496,725</u>	<u>468,978</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 0.2% to 2.35% per annum (2021: 0.2% to 1.75% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank overdraft (note 14).

Bank balances and cash are maintained in UAE.

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

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (unaudited)</i>
Bank balances and cash	496,725	467,406
Less: Current accounts – unclaimed dividends	(43,073)	(43,192)
Less: Bank overdraft (note 14)	(414,560)	(478,900)
	<u>39,092</u>	<u>(54,686)</u>

13 OTHER RESERVES

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
General reserve	633,447	633,447
Development reserve	303,919	303,675
Fair value reserve	(217,585)	(232,290)
	<u>719,781</u>	<u>704,832</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2022 (Unaudited)

14 BORROWINGS

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Term loans	888,015	835,257
Bank overdrafts	414,560	502,785
Total borrowings	1,302,575	1,338,042
Less: Current portion	(532,217)	(566,881)
Non-current portion	770,358	771,161

The Group has obtained an overdraft facilities of AED 540,000 thousand (31 December 2021: 540,000 thousand) from commercial banks. Interest on overdrafts, which is secured by term deposit is 0.5% to 0.75% 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 2022 amounted to AED 414,560 thousand (31 December 2021: AED 502,785 thousand).

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 2021: the net clean limit utilized was AED 94,369 thousand).

The details of the long term bank loans, including terms of repayment, interest rate are set out in the interim condensed consolidated financial statements of the Group for the year ended 31 December 2021.

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 2021. Accordingly, the borrowings continue to be presented as non-current, based upon the terms of repayment.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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15 TRADE AND OTHER PAYABLES

	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Trade payables	73,892	100,279
Advance received from customer	156,371	102,108
Project accruals	45,360	40,906
Contract liabilities	27,623	37,388
Unclaimed dividends	43,073	43,140
Other payables and accruals	59,761	39,148
	<u>406,080</u>	<u>362,969</u>
Less: Current portion	<u>(385,626)</u>	<u>(329,929)</u>
Non-current portion	<u>20,454</u>	<u>33,040</u>

Trade payables includes amounts due to a related party of AED 31,277 thousand (31 December 2021: AED 52,122 thousand) (note 16).

16 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 – Related Party Disclosures.

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 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>	<i>30 June 2022 AED'000 (Unaudited)</i>	<i>30 June 2021 AED'000 (Unaudited)</i>
<i>Affiliated entities:</i>				
Purchase of services	<u>15,798</u>	<u>159,691</u>	<u>4,324</u>	<u>69,551</u>
<i>Directors, Key management personnel and their related parties:</i>				
Salaries and benefits	3,358	2,374	1,438	1,084
End of service benefits	207	142	104	68
Directors remuneration	6,000	3,000	-	3,000
	<u>9,565</u>	<u>5,516</u>	<u>1,542</u>	<u>4,152</u>

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At 30 June 2022 (Unaudited)

16 RELATED PARTY DISCLOSURES (continued)

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

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Due to a related party - trade payables (note 15)	<u>31,277</u>	<u>52,122</u>
Due from a related party – advance to suppliers and contractors (note 10)	<u>1,697</u>	<u>779</u>

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

17 EARNINGS PER SHARE

The calculation of earnings per share for the six month period ended 30 June 2022 is based on net profit of AED 25,555 thousand (30 June 2021: AED 119,809 thousand), divided by the weighted average number of shares of 2,000,000 thousand (30 June 2021: shares of 2,000,000 thousand) outstanding period.

18 CAPITAL COMMITMENTS

Commitments relating to the property development are as follows:

	30 June 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Approved and contracted	<u>306,886</u>	<u>275,635</u>

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

The above includes commitments to a related party of AED 863 thousand (31 December 2021: AED 9,937 thousand).

19 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 2021.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2022 (Unaudited)

19 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments carried at amortised cost (continued)

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>
30 June 2022 (Unaudited)				
Fair value through other comprehensive income				
<i>Unquoted equities and funds</i>	-	-	50,243	50,243
Financial assets carried at FVTPL	-	-	6,112	6,112
Investment properties	-	-	1,576,848	1,576,848
Investment properties under development	-	-	41,112	41,112
	<u>-</u>	<u>-</u>	<u>1,674,315</u>	<u>1,674,315</u>
	<u>-</u>	<u>-</u>	<u>1,674,315</u>	<u>1,674,315</u>
	<i>Level 1</i> <i>AED '000</i>	<i>Level 2</i> <i>AED '000</i>	<i>Level 3</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
31 December 2021 (Audited)				
Fair value through other comprehensive income				
<i>Unquoted equities and funds</i>	-	-	50,243	50,243
<i>Quoted equity securities</i>	40,979	-	-	40,979
Financial assets carried at FVTPL	2,975	-	6,112	9,087
Investment properties	-	-	1,568,192	1,568,192
Investment properties under development	-	-	65,197	65,197
	<u>43,954</u>	<u>-</u>	<u>1,689,744</u>	<u>1,733,698</u>
	<u>43,954</u>	<u>-</u>	<u>1,689,744</u>	<u>1,733,698</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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2022 (Unaudited)

20 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, hotel operations and facility management income. Information regarding the operations of each separate segment is included below:

	<i>Property sales AED'000</i>	<i>Property leasing AED'000</i>	<i>Hotel operations AED'000</i>	<i>Others AED'000</i>	<i>Total AED'000</i>
<i>Six month period ended 30 June 2022 (Unaudited)</i>					
Revenue	<u>142,240</u>	<u>14,378</u>	<u>24,406</u>	<u>12,968</u>	<u>193,992</u>
Gross profit	<u>36,257</u>	<u>12,244</u>	<u>12,068</u>	<u>(1,486)</u>	<u>59,083</u>
<i>As at 30 June 2022 (Unaudited)</i>					
Total assets	<u>2,423,811</u>	<u>1,617,961</u>	<u>1,257,446</u>	<u>933,235</u>	<u>6,232,453</u>
Total liabilities	<u>626,351</u>	<u>144,573</u>	<u>341,487</u>	<u>992,890</u>	<u>2,105,301</u>
Capital expenditure	<u>-</u>	<u>4,291</u>	<u>125,291</u>	<u>1,908</u>	<u>131,490</u>
		<i>Property sales AED'000</i>	<i>Property leasing AED'000</i>	<i>Others AED'000</i>	<i>Total 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 31 December 2021 (Audited)</i>					
Total assets		<u>2,495,700</u>	<u>1,633,388</u>	<u>2,085,230</u>	<u>6,214,318</u>
Total liabilities		<u>450,679</u>	<u>284,493</u>	<u>1,371,736</u>	<u>2,106,908</u>
Capital expenditure		<u>-</u>	<u>11,983</u>	<u>266,063</u>	<u>278,046</u>

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 hotel operations.