

Ref: RAKP-LD-E-0005-120523-05
Date: 2/8/2023

المرجع: RAKP-LD-E-0005-120523-05
التاريخ: 2/8/2023

MS/ Disclosures and Compliance Dept
Abu Dhabi Securities Exchange

السادة/ قسم الإفصاح والامتثال المحترمين
سوق أبوظبي للأوراق المالية

Dear Sir:

تحية طيبة وبعد،،،

Subject: Results of RAK Properties BOD Meeting held on 2/8/2023

الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 2023/8/2

We would like to inform you that the company's Board of Directors held its meeting on Wednesday, 2/8/2023 at 11:00 AM at company premises in Ras Al Khaimah, and discussed the items set out on the agenda, where the Board has approved the interim condensed consolidated financial statements of the second quarter of 2023.

نرجوا التكرم بالعلم بأن مجلس الادارة قد إجتمع يوم الاربعاء الموافق 2023/8/2 في تمام الساعة 11:00 صباحا وذلك في مقر الشركة برأس الخيمة، حيث تم مناقشة البنود المدرجة على جدول الأعمال، حيث تم اعتماد البيانات المالية الموحدة المرحلية للربع الثاني من عام 2023

و تفضلوا بقبول فائق التقدير و الإحترام

Best Regards,

Maen Abdul Kareem
Legal Advisor of RAK Properties



مع
معن عبد الكريم
المستشار القانوني لشركة رأس الخيمة العقارية

DIRECTORS REPORT FOR 6 MONTH PERIOD ENDED 30 JUNE 2023

On behalf of the Board of Directors of RAK Properties PJSC, I am pleased to present the consolidated financial results of the company for first half 2023.

H1 2023 Key Financial Highlights:

- Revenue for the period amounted to AED 511.64 million vs AED 193.99 million for the same period last year.
- Net Profit for the period amounted to AED 88.19 million vs AED 25.55 million for the same period last year.
- Total comprehensive income for the period amounted to AED 88.19 million vs AED 25.74 million for the same period last year.
- Total Asset stood by AED 6.34 billion in H1 2023 vs AED 6.32 billion in December 2022.
- Total Equity stood by AED 4.21 billion in H1 2023 vs AED 4.12 billion in December 2022

Income Statement	AED Million	
	30 th June 2023	30 th June 2022
Revenue	511.64	193.99
Cost of Revenue	(348.59)	(134.91)
Gross Profit	163.05	59.08
Operating Profit	110.74	37.95
Profit for the period	88.19	25.55
Total comprehensive income	88.19	25.74

Financial Position	AED Million	
	30 th June 2023	31 st Dec 2022
Non-Current Assets	5,302.76	5,285.17
Current Assets	1,042.12	1,029.90
Total Assets	6,344.88	6,315.07
Non-Current Liabilities	1,242.63	1,218.25
Current Liabilities	891.69	974.65
Capital and Reserves	4,210.56	4,122.17
Total Equity & Liabilities	6,344.88	6,315.07

Development Update

Residential:

1. **Julphar Residence**, Reem Island, Abu Dhabi – Residential building of 266 apartments
 - a. During the year RAK Properties commenced the sales of this completed tower in Abu Dhabi and had a very good market response which 100% released unit has sold out in H1 2023
 - b. We handed over 75% of the sold units as of 30th June 2023 and for the balance units' handover process are currently ongoing.
2. **Bay Residence Phase 1**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beach front residential buildings.
 - a. Construction of these 2 towers is progressing as per the development plan.
 - b. Both towers have been fully sold out as of H1 2023.
3. **Bay Residence Phase 2**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beach front residential buildings.
 - a. The sale of these 2 towers consisting of 324 apartments has been launched in Q1 2023 and it has been fully sold out as of H1 2023.
 - b. Commenced construction of these 2 towers and progressing as per plan.
4. **Nasim Lofts at Bay Residence**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beach front residential buildings.
 - a. RAK Properties latest addition of 13 Nasim Lofts at bay residence has been launched in the market and sales are ongoing
5. **Gateway Residence 2**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential building of 146 apartments.
 - a. Construction of this tower is slightly behind the schedule as of H1 2023.
 - b. Sales are ongoing in 2023.
6. **Marbella Villa Phase 2**, Mina Al Arab, Ras Al Khaimah – Luxury Villas and Townhouses.
 - a. Construction of this additional 89 villas and townhouses commenced in H1 2023
 - b. Sales were launched in Q1 2023 and are ongoing.



رأس الخيمة العقارية
RAK PROPERTIES

7. **Bayviews**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential Buildings.
- The sale of these 2 towers consisting of 344 apartments has been launched in end Q2 2023 and it has been sold out within few hours of the launch.
 - Project construction contract under Tendering stage, which commencement of construction planned end of Q3 2023.

Hospitality:

1. **Intercontinental Ras Al Khaimah Mina Al Arab Resort and SPA**

The hotel achieved higher occupancy and financials as compared to the compset as well as the projections for H1 2023.

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

Construction of our second 5-star hotel with 174 keys is on-track to open this year.

Planned Residential:

Bay Area Apartments, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beachfront residential buildings of 6 plots.

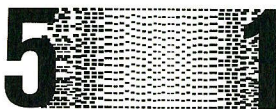
- Development of the first 2 plots is under tendering stage and the remaining 4 plots are under design stage and sales launch scheduled within the coming months.
- RAK Properties and Ellington Properties to jointly develop a premium waterfront residential project in Hayat Island. The partnership marks Ellington Properties entry into the emirate and the first joint residential apartment project will bring a new perspective to exclusive waterfront living.

RAK Properties strong financial and operating performance this year continued into Q2, reflecting our ability to sustain growth. Developments launches in Q2 comprised a diverse product mix appealing to a broad customer base seeking high-quality properties with strong demand for both the off-plan and ready-to-move-in segments. Villas and townhouses on Mina Al Arab continue to drive sales.

The company's profit and revenue in for the first half has exceeded that of last year amid the launch of new projects and growth in sales. The InterContinental Resort & SPA has proved to be very popular and is delivering excellent revenue and the opening of the 5-star Anantara Resort & SPA end of this year will add considerable additional appeal to our overall hospitality offering on Mina Al Arab. The speed with which we are developing, rolling out and constructing is helping us tremendously in strengthen the balance sheet and drive the appeal of Mina Al Arab as a lifestyle destination in Ras Al Khaimah.

Sameh Al Muhtadi
Chief Executive Officer

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

FOR THE PERIOD ENDED 30 JUNE 2023

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

**Unaudited Interim Condensed Consolidated Financial Statements (Unaudited)
For the period ended 30 June 2023**

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF
RAK PROPERTIES P.J.S.C.****Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of RAK Properties P.J.S.C. (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 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 statement of 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 International Accounting Standard 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated 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.

Other matter

The interim condensed consolidated financial statements for the six-month period ended 30 June 2022 were reviewed by another auditor who expressed an unmodified conclusion on 30 July 2022 and the consolidated financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on 11 February 2023.

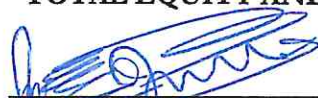

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Sharjah, 2 August 2023

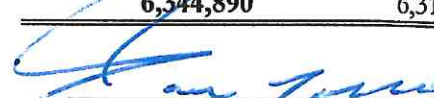
RAK Properties P.J.S.C. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (Unaudited)

	<i>Notes</i>	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	1,731,590	1,648,737
Investment properties	4	1,559,016	1,559,016
Investment properties under development	5	38,813	44,299
Trading properties under development	6	1,463,850	1,501,472
Investments	7	40,108	40,108
Trade and other receivables	8	469,390	491,534
		<u>5,302,767</u>	<u>5,285,166</u>
Current assets			
Trading properties under development	6	-	195,190
Inventories		1,508	1,380
Investments	7	5,447	5,447
Trading properties	9	61,626	42,140
Trade and other receivables	8	480,688	292,967
Bank balances and cash	10	492,854	492,779
		<u>1,042,123</u>	<u>1,029,903</u>
TOTAL ASSETS		<u><u>6,344,890</u></u>	<u><u>6,315,069</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		2,000,000	2,000,000
Statutory reserve		1,000,000	1,000,000
Retained earnings		496,865	409,057
Other reserves	11	713,700	713,112
TOTAL EQUITY		<u>4,210,565</u>	<u>4,122,169</u>
Non-current liabilities			
Provision for employees' end-of-service benefits		4,641	4,051
Borrowings	12	812,943	806,030
Deferred government grants		377,073	388,484
Trade and other payables	13	47,981	19,686
		<u>1,242,638</u>	<u>1,218,251</u>
Current liabilities			
Borrowings	12	425,096	547,251
Trade and other payables	13	466,591	427,398
		<u>891,687</u>	<u>974,649</u>
TOTAL LIABILITIES		<u>2,134,325</u>	<u>2,192,900</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,344,890</u></u>	<u><u>6,315,069</u></u>


Abdul Aziz Abdullah Al Zaabi
Chairman


Sameh Muhtadi
Chief Executive Officer

The accompanying notes 1 to 22 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2023 (Unaudited)

	Notes	Six-month period ended		Three-month period ended	
		30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)
Revenue	14	511,637	193,992	253,055	86,742
Cost of revenue	14	(348,589)	(134,909)	(172,905)	(60,450)
GROSS PROFIT		163,048	59,083	80,150	26,292
Selling, general and administrative expenses	15	(64,027)	(42,001)	(29,761)	(24,451)
Other income		14,009	20,863	6,755	1,681
Loss on impairment of trading properties under development	6	(2,288)	-	(2,288)	-
OPERATING PROFIT		110,742	37,945	54,856	3,522
Finance costs		(28,219)	(15,772)	(14,491)	(10,419)
Finance income		5,666	2,913	3,229	1,504
Dividend income		-	469	-	469
PROFIT / (LOSS) FOR THE PERIOD		88,189	25,555	43,594	(4,924)
Earnings per share for the period – basic and diluted (AED)	17	0.044	0.013	0.022	(0.002)

The accompanying notes 1 to 22 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 six-month period ended 30 June 2023 (Unaudited)

	Six-month period ended		Three-month period ended	
	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)
PROFIT / (LOSS) FOR THE PERIOD	88,189	25,555	43,594	(4,924)
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Net Change in fair value investments at fair value through other comprehensive income	-	187	-	(256)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	88,189	25,742	43,594	(5,180)

The accompanying notes 1 to 22 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 CHANGES IN EQUITY

For the six month period ended 30 June 2023 (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Other reserves AED'000	Total equity AED'000
Balance at 1 January 2022 (Audited)	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	-	-	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
Balance at 1 January 2023 (Audited)	2,000,000	1,000,000	409,057	713,112	4,122,169
Profit for the period	-	-	88,189	-	88,189
Total comprehensive income for the period	-	-	88,189	-	88,189
Prior period adjustment	-	-	207	-	207
Transfer to other reserves	-	-	(588)	588	-
Balance at 30 June 2023 (Unaudited)	2,000,000	1,000,000	496,865	713,700	4,210,565

The accompanying notes 1 to 22 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 six-month period ended 30 June 2023 (Unaudited)

		Six-month period ended	
		30 June 2023	30 June 2022
		AED'000	AED'000
		(Unaudited)	(Unaudited)
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		88,189	25,555
Adjustments for:			
Depreciation	3	18,001	14,973
Provision for employees' end-of-service benefits		645	1,193
Finance costs		28,219	15,772
Finance income		(5,666)	(2,913)
Dividend income			(469)
Loss on impairment of trading properties under development	6	2,288	-
Profit on disposal of investments		-	(927)
Amortisation of Government grants		(11,411)	(10,288)
Cash from operations before working capital changes		120,265	42,896
Trading properties		(19,486)	(54,309)
Trading properties under development		246,277	139,015
Trade and other receivables		(164,065)	34,117
Trade and other payables		134,020	17,694
Inventories		(129)	(364)
Net cash flows from operations		316,882	179,049
Employees end of service indemnity paid		(55)	(156)
Net cash flows generated from operating activities		316,827	178,893
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(101,432)	(127,199)
Interest received		4,939	837
Dividend received		-	469
Proceeds from disposal of investments		-	45,067
Additions to investment properties		-	(8,656)
Additions to investment properties under development		(10,267)	(4,291)
Net cash used in investing activities		(106,760)	(93,773)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(33,266)	(67)
Borrowings availed		57,953	74,371
Borrowings repaid		(55,510)	(21,613)
Interest paid		(28,218)	(15,772)
Board of directors' remuneration paid		-	(6,000)
Net cash flows (used in)/generated financing activities		(59,041)	30,919
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		(1,127)	(76,947)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		149,899	39,092
	10		

The accompanying notes 1 to 22 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 For the six-month period ended 30 June 2023 (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 (replaced with UAE Federal Law No. (32) of 2021). 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 2023 ("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, hospitality and related services.

The interim condensed consolidated financial statements were authorised for issue on 2 August 2023 by the Board of Directors.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements of the Group for the six-month ended 30 June 2023 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.

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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-month period ended 30 June 2023 (Unaudited) (continued)

2 BASIS OF PREPARATION (continued)

2.1 STATEMENT OF COMPLIANCE (continued)

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Company (its subsidiaries) as of 30 June 2023. 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 subsidiaries are as follows:

Subsidiary	Country of incorporation	Ownership %	
		30 June 2023	31 December 2022
RAK Properties International Limited	United Arab Emirates	100%	100%
Lagoon Marina Ship Management & Operation LLC	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%	100%
RAK Properties Gayreimenkul Pazarlama Anonim Sirketi**	Turkey	100%	100%

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

** Incorporated on 11 May 2022.

2 BASIS OF PREPARATION (continued)

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.

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.

2 BASIS OF PREPARATION (continued)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

(ii) 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.

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

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

(iv) Classification of properties

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

Key sources of estimation uncertainty

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the 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.

2 BASIS OF PREPARATION (continued)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

Calculation of expected credit loss allowance

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

Impairment of property and equipment and capital work in progress

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

Useful lives of property and equipment

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

Valuation of unquoted investments

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

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

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

2 BASIS OF PREPARATION (continued)

2.3 NEW OR REVISED STANDARDS AND INTERPRETATIONS

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 2022, except for the adoption of new standards and interpretations effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued that is not yet effective.

- IFRS 17 Insurance Contracts
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12).
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

This amendment did not have a significant impact on these interim condensed consolidated financial statements, and therefore, the disclosures have not been made.

Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current liability with covenants – Amendments to IAS 1 and Classification of Liabilities as Current and Non-current (Amendments to IAS 1)
- Sale or Contribution of Assets between an Investor its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

These standards, amendments and interpretations are not expected to have a significant impact on the interim condensed consolidated financial statements in the period of initial application and therefore no disclosures have been made.

3. PROPERTY AND EQUIPMENT

Additions, disposal and depreciation

During the six-month period ended 30 June 2023, the Group has made additions amounting to AED 101,432 thousand (six-month period ended 30 June 2022: AED 127,199 thousand).

The Group is currently constructing a hospitality project on Mina Al Arab Island. The project is expected to be completed during financial year 2023 and the carrying amount as at 30 June 2023 is AED 784,452 thousand (31 December 2022: AED 685,543 thousand).

The amount of borrowing costs capitalised during the six-month period ended 30 June 2023 is AED 11,765 thousand (30 June 2022: AED 11,093 thousand) relating to construction of hotel properties. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 7.99% (30 June 2022: 3.80%), which is the effective interest rate of the specific borrowing.

Depreciation of property and equipment for the six-month period ended 30 June 2023 amounted to AED 18,001 thousand (30 June 2022: AED 14,973 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-month period ended 30 June 2023 (Unaudited) (continued)

4. INVESTMENT PROPERTIES

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
In UAE	1,559,016	1,559,016

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 six-month period, management has recognised deferred government grant of AED 11,411 thousand (six-month period ended 30 June 2022: AED 10,288 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 2023 to be significantly different from the fair value as at 31 December 2022. The fair valuation of investment properties was conducted by an independent external valuer as at 31 December 2022. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2023, unless there are indicators which suggest a significant change in the fair value.

5. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Balance at beginning of the period/year	44,299	65,197
Cost incurred during the period/year	10,267	7,478
Transferred to investment properties	-	(14,732)
Transferred to trading properties under development (note 6)	(15,753)	(13,644)
Balance at end of the period/year	38,813	44,299

Investment properties under development are located in United Arab Emirates. Refer note 19 on fair valuation of investment properties under development.

The management does not consider the fair value of investment properties under development for the period ended 30 June 2023 to be significantly different from the fair value as at 31 December 2022. The fair valuation of investment properties under development was conducted by an independent external valuer as at 31 December 2022. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2023, 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 For the six-month period ended 30 June 2023 (Unaudited) (continued)

6. TRADING PROPERTIES UNDER DEVELOPMENT

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
As at January 1,	1,696,662	1,811,327
Cost incurred during the period/year	65,881	34,301
Cost of properties sold	(114,641)	(62,771)
Transferred from investment properties	-	41,953
Transferred to trading properties (note 9)	(197,517)	(115,934)
Transferred from investment properties under development (note 5)	15,753	13,644
Impairment	(2,288)	(25,858)
	<u>1,463,850</u>	<u>1,696,662</u>
Less: Classified as current assets	-	(195,190)
Classified as non-current assets	<u>1,463,850</u>	<u>1,501,472</u>
	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Inside UAE	1,450,035	1,680,559
Outside UAE	13,815	16,103
	<u>1,463,850</u>	<u>1,696,662</u>
Less: Classified as current assets	-	(195,190)
Classified as non-current assets	<u>1,463,850</u>	<u>1,501,472</u>

Trading properties under development include lands held for future development and use amounting to AED 1,414,013 thousand (31 December 2022: AED 1,465,121 thousand).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2023 (Unaudited) (continued)

7. INVESTMENTS

	30 June	31 December
	2023	2022
	AED'000	AED'000
	(Unaudited)	(Audited)
<i>Non-current</i>		
Unquoted equity investments	23,663	23,663
Unquoted real estate fund	16,445	16,445
	40,108	40,108
<i>Current</i>		
Investments at fair value through profit or loss		
Investments outside UAE		
Unquoted securities	5,447	5,447
The details of the Group's investments are as follows:		
<i>Non-current</i>		
Investments at fair value through other comprehensive income		
Investments within UAE		
Unquoted equity investments	6,098	6,098
Investments outside UAE		
Unquoted equity investments	17,565	17,565
Unquoted real estate funds	16,445	16,445
	34,010	34,010
	40,108	40,108

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 For the six-month period ended 30 June 2023 (Unaudited) (continued)

8. TRADE AND OTHER RECEIVABLES

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Trade receivables	631,661	524,550
Advances to suppliers and contractors	86,333	73,654
Contract assets	149,850	159,521
VAT Refundable	12,846	4,179
Other receivables	91,036	44,245
	<u>971,726</u>	<u>806,149</u>
Less: Provision for expected credit loss	(21,648)	(21,648)
	<u>950,078</u>	<u>784,501</u>
Less: Current portion	(480,688)	(292,967)
Non-current portion	<u>469,390</u>	<u>491,534</u>

Movements in provision for expected credit loss:

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Balance at beginning of the period/year	21,648	16,417
Provision for impairment allowance for the period/year	-	5,231
Balance at the end of the period/year	<u>21,648</u>	<u>21,648</u>

9. TRADING PROPERTIES

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
At 1 January	42,140	26,114
Transfer to investment properties	-	(3,352)
Transfer from trading properties under development (note 6)	197,517	147,561
Cost of properties sold – Units	(178,031)	(128,183)
Balance at the end of the period / year	<u>61,626</u>	<u>42,140</u>
Inside UAE	47,153	27,667
Outside UAE	14,473	14,473
	<u>61,626</u>	<u>42,140</u>

The management does not consider the fair value of trading properties for the period ended 30 June 2023 to be significantly different from the fair value as at 31 December 2022. Fair valuation of trading properties was conducted by an independent external valuer as at 31 December 2022.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2023 (Unaudited) (continued)

10. BANK BALANCES AND CASH

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Cash in hand	288	288
Bank balances:		
- Current accounts	84,171	50,747
- Call accounts	2,666	2,749
- Current accounts – unclaimed dividends	5,729	38,995
- Term deposits	400,000	400,000
Balance at the end of the period / year	<u>492,854</u>	<u>492,779</u>

Current accounts - unclaimed dividends will be utilised only for the payment of dividend and should not be used for any other purposes. As required by directive issued by SCA dated 30 April 2023, the Group has transferred an amount of AED 32,992 thousand as unclaimed dividend pertaining to period approved before March 2015 to Securities and Commodities Authority (SCA).

The effective average interest rate on deposits is 1.85% to 5% per annum (2022: 0.2% to 1.85% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank overdraft (note 12). 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:

	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)
Bank balances and cash	492,854	496,725
Less: Current accounts – unclaimed dividends	(5,729)	(43,073)
Less: Bank overdraft	(337,226)	(414,560)
	<u>149,899</u>	<u>39,092</u>

11. OTHER RESERVES

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
General reserve	636,526	636,526
Development reserve	303,675	303,675
Fair value reserve	(227,594)	(227,594)
Other reserve	1,093	505
	<u>713,700</u>	<u>713,112</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-month period ended 30 June 2023 (Unaudited) (continued)

12. BORROWINGS

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Term loans	900,813	898,370
Bank overdrafts	337,226	454,911
Total borrowings	<u>1,238,039</u>	<u>1,353,281</u>
Less: Current portion	<u>(425,096)</u>	<u>(547,251)</u>
Non-current portion	<u>812,943</u>	<u>806,030</u>

The Group has obtained an overdraft facility of AED 590,000 thousand (2022: AED 540,000 thousand) from commercial banks. Interest on bank overdrafts, which is secured by term deposit is 0.25% to 0.5% per annum over such term deposit rates, which are used as security as overdraft balance. Further, for unsecured bank overdrafts, interest is computed at a fixed rate + 3 months EIBOR. The balance outstanding as at 30 June 2023 amounted to AED 337,226 thousand (31 December 2022: AED 454,911 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 (note 10);
- To route funds 1.5 times of the net clean limit utilised under the overdraft. (31 December 2022: the net clean limit utilized was AED 56,596 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 2022.

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 2022. 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
For the six-month period ended 30 June 2023 (Unaudited) (continued)
13. TRADE AND OTHER PAYABLES

	30 June	31 December
	2023	2022
	AED'000	AED'000
	(Unaudited)	(Audited)
Trade payables	105,144	90,145
Project accruals	47,855	50,536
Contract liabilities	86,680	32,065
Unclaimed dividends	5,729	38,995
Advance connection charges	121,316	141,559
Other payables and accruals	147,848	93,784
	514,572	447,084
Less: Current portion	(466,591)	(427,398)
Non-current portion	47,981	19,686

Trade payables includes amounts due to a related party of AED 5,460 thousand (31 December 2022: 31,315 thousand) (note 16).

14. REVENUE AND COST OF REVENUE

	Six-month period ended		Three-month period ended	
	30 June	30 June	30 June	30 June
	2023	2022	2023	2022
	AED'000	AED'000	AED'000	AED'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Sale of properties	425,182	141,783	210,596	56,612
Hotel operations	58,566	24,406	28,355	16,001
Rental income	14,346	14,378	7,081	7,207
Facility management fee	12,992	12,770	6,540	6,477
Forfeiture income	359	457	359	357
Others	192	198	124	88
	511,637	193,992	253,055	86,742
Cost of revenue				
Cost of sale of properties	308,354	105,983	148,635	43,449
Facility management expenses	16,099	14,306	11,742	8,233
Hotel operations	22,885	12,338	11,942	8,335
Others	1,251	2,282	586	433
	348,589	134,909	172,905	60,450

The Group earned its entire revenue in the United Arab Emirates.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-month period ended 30 June 2023 (Unaudited) (continued)

14. REVENUE AND COST OF REVENUE (continued)

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

	Six-month period ended		Three-month period ended	
	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)
Recognised at a point in time	243,725	97,794	74,548	41,066
Recognised over a period of time	267,912	96,198	178,507	45,676
	511,637	193,992	253,055	86,742

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Six-month period ended		Three-month period ended	
	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)
Staff costs	16,489	14,655	9,121	7,429
Sales and marketing expenses	16,803	6,686	5,364	3,893
Depreciation	14,777	11,749	7,401	7,352
Other expenses	15,958	8,911	7,875	5,777
	64,027	42,001	29,761	24,451

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:

	Six-month period ended		Three-month period ended	
	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)	30 June 2023 AED'000 (Unaudited)	30 June 2022 AED'000 (Unaudited)
<i>Key management personnel of the Group (Director's interests):</i>				
Sub-contracting and purchase of services	-	15,798	-	4,324
<i>Compensation of key management personnel:</i>				
Salaries and benefits	4,693	3,358	2,341	1,438
Accrual of end of service benefits	260	207	49	104
Directors' remuneration	-	6,000	-	-
	4,953	9,565	2,390	1,542

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-month period ended 30 June 2023 (Unaudited) (continued)

16. RELATED PARTY DISCLOSURES (continued)

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

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Due to a related party - trade payables (note 13)	<u>5,460</u>	<u>31,315</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 2023 is based on net profit of AED 88,189 thousand (30 June 2022: net profit of AED 25,555 thousand), divided by the weighted average number of shares of 2,000,000 thousand (30 June 2022: shares of 2,000,000 thousand) outstanding period.

18. CONTINGENT LIABILITIES AND COMMITMENTS

Commitments relating to the property development are as follows:

	30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Approved and contracted	<u>525,550</u>	<u>370,659</u>

The above commitments represent 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.

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 2022.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six-month period ended 30 June 2023 (Unaudited) (continued)

19. FAIR VALUES OF FINANCIAL INSTRUMENTS (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>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
30 June 2023 (Unaudited)				
Fair value through OCI				
<i>Unquoted equities and funds</i>	-	-	40,108	40,108
Financial assets carried at FVTPL	-	-	5,447	5,447
Investment properties	-	-	1,559,016	1,559,016
Investment properties under development	-	-	38,813	38,813
	-	-	1,643,384	1,643,384
31 December 2022 (Audited)				
Fair value through OCI				
<i>Unquoted equities and funds</i>	-	-	40,108	40,108
Financial assets carried at FVTPL	-	-	5,447	5,447
Investment properties	-	-	1,559,016	1,559,016
Investment properties under development	-	-	44,299	44,299
	-	-	1,648,870	1,648,870

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 For the six-month period ended 30 June 2023 (Unaudited) (continued)

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 four major operating segments: property sales, property leasing, hotel operations and facility management income. Information regarding the operations of each separate segment is included below:

	Property sales AED'000	Property leasing AED'000	Hotel Operations AED'000	Others AED'000	Total AED'000
Six-month period ended 30 June 2023 (Unaudited)					
Revenue	425,541	14,346	58,566	13,184	511,637
Gross Profit/(loss) As at 30 June 2023 (Unaudited)	117,187	13,259	35,681	(3,079)	163,048
Total assets	2,347,710	1,597,829	1,435,289	964,062	6,344,890
Total liabilities	558,378	154,651	612,402	808,894	2,134,325
Capital expenditure	-	10,267	99,507	1,348	111,122
Six-month period ended 30 June 2022 (Unaudited)					
Revenue	142,240	14,378	24,406	12,968	193,992
Gross profit/(loss) As at 31 December 2022 (Audited)	36,257	12,244	12,068	(1,486)	59,083
Total assets	2,391,184	1,603,315	1,362,657	957,913	6,315,069
Total liabilities	544,120	154,569	552,046	942,165	2,192,900
Capital expenditure	-	36,903	234,475	3,806	275,184

21 SIGNIFICANT EVENTS

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the consolidated financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of corporate - Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing 1 January 2024. Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the three-month period ended 30 June 2023.

22 SUBSEQUENT EVENTS

There have been no other events subsequent to the interim condensed consolidated statement of financial position date that would significantly affect the amounts reported in the interim condensed financial statements as at and for the period ended June 30, 2023.