

Ref: RAKP-LD-E-0010-260722-05
Date: 5th November 2022

المرجع: RAKP-LD-E-0010-260722-05
التاريخ: 5 نوفمبر 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 5/11/2022

الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 2022/11/5

We would like to inform you that the company's Board of Directors held its meeting on Saturday, 5/11/2022 at 10:00 AM at InterContinental Ras Al Khaimah Resort & SPA, Where the Board has approved the interim condensed consolidated financial statements of the period ended 30/9/2022, and the Board of Directors has approved the resolution of the Executive & Investment Committee to award the tender of Bay Residence Project to Al Orouba Contracting Company.

نرجوا التكرم بالعلم بأن مجلس الادارة قد إجتمع يوم السبت الموافق 2022/11/5 في تمام الساعة 10:00 صباحا وذلك في منتجع وسبا انتركونتيننتال رأس الخيمة، حيث تم اعتماد البيانات المالية الموحدة المرحلية للفترة المالية المنتهية بتاريخ 2022/9/30، كما صادق مجلس الإدارة على قرار اللجنة التنفيذية والاستثمار بالموافقة على ترسية مشروع باي ريزيدنس على شركة العروبة للمقاولات.

Best Regards,



وتفضلوا بقبول فائق التقدير و الإحترام

Maen Abdul Kareem
Legal Advisor of RAK Properties

معن عبد الكريم
المستشار القانوني لشركة رأس الخيمة العقارية

DIRECTORS REPORT FOR 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2022

On behalf of the Board of Directors of RAK Properties PJSC, I am pleased to present the financial result of the company for the period ended 30th September 2022.

Q3 2022 Key Financial Highlights:

- Revenue for the period amounted to AED 289.58 million vs AED 424.37 million same period last year.
- Net Profit for the period amounted to AED 27.55 million vs AED 197.94 million same period last year.
- Total comprehensive income for the period amounted to AED 27.74 million vs AED 184.33 million same period last year.
- Total Asset stood by AED 6.24 billion in Q3 2022 vs AED 6.21 billion in December 2021.
- Total Equity stood by AED 4.13 billion in Q3 2022 vs AED 4.10 billion in December 2021

Income Statement	AED Million	
	<u>30th Sept 2022</u>	<u>30th Sept 2021</u>
Revenue	289.58	424.37
Cost of Revenue	(198.01)	(251.67)
Gross Profit	91.57	172.70
Operating Profit	47.29	205.26
Profit for the period	27.55	197.94
Total comprehensive income	27.74	184.33

Financial Position	AED Million	
	<u>30th Sept 2022</u>	<u>31st Dec 2021</u>
Non-Current Assets	5,234.19	5,185.44
Current Assets	1,007.78	1,028.88
Total Assets	6,241.97	6,214.32
Non-Current Liabilities	1,227.00	1,210.10
Current Liabilities	885.82	896.81
Capital and Reserves	4,129.15	4,107.41
Total Equity & Liabilities	6,241.97	6,214.32

Development Update

Residential Projects:

1. **Marbella Villas**, Mina Al Arab, Ras Al Khaimah – Villas and Townhouses
 - a. Completed and handing over has been done to end users in first half 2022
2. **Julphar Residence**, a residential tower in Reem Island, Abu Dhabi
 - a. The Project is completed and BCC issued. Sales launch will be announced soon.
3. **Bay Residence Phase 1**, Hayat Island, Mina Al Arab, Ras Al Khaimah
 - a. Project construction for Phase 1 (2 towers) has been awarded and started mobilization.
 - b. Tower 2 sales has been launched in Q2 2022
4. **Gateway Residence 2**, a residential tower in Hayat Island, Mina Al Arab
 - a. Project construction started and progressing as per development plan
 - b. Sales has been launched in Q1 2022

Hospitality Projects:

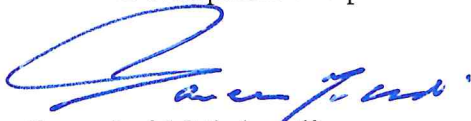
1. **Intercontinental Ras Al Khaimah Mina Al Arab Resort and SPA**

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 Phase 2**, Hayat Island, Mina Al Arab, Ras Al Khaimah
Another 2 Towers in Phase 2 will be launching soon as per the plan.
2. **Marbella Extension**, a residential villa in Hayat Island, Mina Al Arab
Tender result is under review to commence construction and project will be launched soon.
3. **Bay Area Projects**, in Hayat Island, Mina Al Arab
Development of 5 plots in Hayat Island are under tendering design stage



Sameh Al Muhtadi
Chief Executive Officer

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

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED 30 SEPTEMBER 2022

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

**Unaudited Interim Condensed Consolidated Financial Statements
For the Period Ended 30 September 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 September 2022, comprising of the interim consolidated statement of financial position as at 30 September 2022, and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and fair 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 No.: 1258

5 November 2022

Dubai, United Arab Emirates

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2022 (Unaudited)

	<i>Notes</i>	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
		<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>
Revenue from contracts with customers	3	289,580	424,370	95,588	159,271
Cost of revenue	3	(198,005)	(251,673)	(63,096)	(92,614)
GROSS PROFIT		91,575	172,697	32,492	66,657
Selling, general and administrative expenses	4	(68,147)	(33,498)	(26,146)	(9,321)
Other income		23,865	66,062	3,002	22,058
OPERATING PROFIT		47,293	205,261	9,348	79,394
Net change in fair value of investments at fair value through profit and loss		-	(3,545)	-	(245)
Finance income		4,622	5,398	1,709	1,770
Finance costs		(24,836)	(9,773)	(9,064)	(2,785)
Dividend income		469	602	-	-
PROFIT FOR THE PERIOD		27,548	197,943	1,993	78,134
Earnings per share for the period – basic and diluted (AED)	17	0.014	0.099	0.001	0.039

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 September 2022 (Unaudited)

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2022</i>	<i>30 September 2021</i>	<i>30 September 2022</i>	<i>30 September 2021</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>
PROFIT FOR THE PERIOD	27,548	197,943	1,993	78,134
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	(13,611)	-	(378)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	27,735	184,332	1,993	77,756

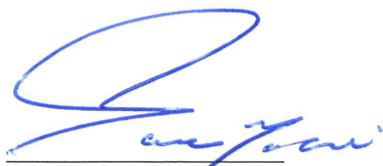
The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022 (Unaudited)

	Notes	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	5	1,604,815	1,428,630
Investment properties	6	1,576,848	1,568,192
Investment properties under development	7	43,606	65,197
Trading properties under development	8	1,462,036	1,521,038
Investments	9	50,243	91,222
Trade and other receivables	10	496,641	511,162
		<u>5,234,189</u>	<u>5,185,441</u>
Current assets			
Trading properties under development	8	220,743	290,289
Inventories		1,332	911
Investments	9	6,112	9,087
Trading properties	11	76,275	26,114
Trade and other receivables	10	223,688	233,498
Bank balances and cash	12	479,635	468,978
		<u>1,007,785</u>	<u>1,028,877</u>
TOTAL ASSETS		<u><u>6,241,974</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		409,195	402,578
Other reserves	13	719,950	704,832
TOTAL EQUITY		<u>4,129,145</u>	<u>4,107,410</u>
Non-current liabilities			
Provision for employees' end-of-service benefits		4,366	3,038
Borrowings	14	812,189	771,161
Deferred government grants		390,333	402,859
Trade and other payables	15	20,120	33,040
		<u>1,227,008</u>	<u>1,210,098</u>
Current liabilities			
Borrowings	14	485,126	566,881
Trade and other payables	15	400,695	329,929
		<u>885,821</u>	<u>896,810</u>
TOTAL LIABILITIES		<u>2,112,829</u>	<u>2,106,908</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,241,974</u></u>	<u><u>6,214,318</u></u>


Chief Executive Officer


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 September 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	-	-	197,943	-	197,943
Other comprehensive income for the period	-	-	-	(13,611)	(13,611)
Total comprehensive income for the period (unaudited)	-	-	197,943	(13,611)	184,332
Board of Directors' remuneration (note 16)	-	-	(3,000)	-	(3,000)
Balance at 30 September 2021 (unaudited)	<u>2,000,000</u>	<u>1,000,000</u>	<u>722,870</u>	<u>369,265</u>	<u>4,092,135</u>
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	-	-	27,548	-	27,548
Other comprehensive income for the period	-	-	-	187	187
Total comprehensive income for the period (unaudited)	-	-	27,548	187	27,735
Transfer to other reserves	-	-	(413)	413	-
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 September 2022 (unaudited)	<u>2,000,000</u>	<u>1,000,000</u>	<u>409,195</u>	<u>719,950</u>	<u>4,129,145</u>

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 September 2022 (Unaudited)

	Notes	<i>Nine-month period ended</i>	
		<i>30 September</i>	<i>30 September</i>
		<i>2022</i>	<i>2021</i>
		<i>AED'000</i>	<i>AED'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES			
Profit for the period		27,548	197,943
Adjustments for:			
Depreciation	5	23,934	7,511
Provision for employees' end-of-service benefits		1,496	347
Finance costs		24,836	9,773
Finance income		(4,622)	(5,398)
Dividend income		(469)	(602)
Loss on sale of investments		(927)	(5,000)
Government grant income		(12,525)	(58,169)
Net change in fair value of investments at fair value through profit or loss (FVTPL)		-	3,545
Loss on disposal of property and equipment		-	(90)
Cash from operations before working capital changes		59,271	149,860
Trading properties		(24,610)	32,161
Trading properties under development		142,192	38,862
Trade and other receivables		27,711	(235,515)
Trade and other payables		40,469	69,271
Inventories		(421)	13
Net cash flows from operations		244,612	54,652
Employees' end of service indemnity paid		(168)	(1,160)
Net cash from operating activities		244,444	53,492
INVESTING ACTIVITIES			
Additions to property and equipment	5	(185,387)	(213,734)
Interest received		1,242	1,596
Dividend received		469	602
Proceeds from disposal of property and equipment		-	91
Proceeds from disposal of investments		45,067	5,296
Additions to investment properties		(8,657)	-
Additions to investment properties under development		(6,784)	(8,614)
Net cash used in investing activities		(154,050)	(214,763)
FINANCING ACTIVITIES			
Dividend paid		(4,087)	(88)
Borrowings availed		393,627	208,414
Borrowings repaid		(325,854)	(70,101)
Interest paid		(24,836)	(11,084)
Board of directors' remuneration paid		(6,000)	(3,000)
Net cash from financing activities		32,850	124,141
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		123,244	(37,130)
Cash and cash equivalents at the beginning of the period		(76,947)	(19,814)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	46,297	(56,944)

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

1 CORPORATE INFORMATION

RAK Properties P.J.S.C. ("the Company") is a public joint stock company established under Emiree Decree No. 5 issued by the Ruler of the Emirate of Ras Al Khaimah on 16 February 2005 and commenced its operations on 2 June 2005. Subsequently, the Company was registered as a Public Joint Stock Company in accordance with the provisions of the UAE Federal Law No. (2) of Decree 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 nine month period ended 30 September 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 5 November 2022 by the Board of Directors.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the nine months ended 30 September 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.

The interim condensed consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional 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 nine-month period ended 30 September 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 impacted by some form of seasonality. However, such seasonality does not have a material impact on the overall operations of the Group.

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 September 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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:

Subsidiary	Country of incorporation	Ownership %	
		30 September 2022	31 December 2021
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.

In 2021, Turkey became a hyperinflationary economy. Management performed a detailed assessment of the impact of applying IAS 29 Financial Reporting in Hyperinflationary Economies. Based on these assessments, management determined that the impact of applying IAS 29 is not material to interim condensed consolidated financial statements of the Group.

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:

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

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

Determining the timing of revenue recognition on the sale of property

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

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

Principal versus agent considerations – services to tenants

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

(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.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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.

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.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Key sources of estimation uncertainty (continued)

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 and accounting policy related to revenue recognition of hotel operations, which commenced during the nine months period ended 30 September 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 did 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

Revenue recognition for hotel operations

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

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

Rooms

Rooms revenue represents revenue generated from the accommodation provided to its customers in respect to rooms' accommodation. Performance obligation is satisfied, and revenue is recognised over the passage of time based on period of stay of customers. Based on the assessment performed by the Group's management, the customers do not have right of returns, there are no variable considerations, warranty obligations or material loyalty points. Generally, advances are received from customers which are disclosed under contract liabilities.

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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

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

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

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3 REVENUE AND COST OF REVENUE

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>
Revenue				
Sale of properties	206,430	382,197	64,647	144,821
Hotel operations	40,090	-	15,684	-
Rental income	21,592	22,053	7,214	7,445
Facility management fee	19,218	19,074	6,448	6,537
Forfeiture income	1,953	712	1,496	347
Others	297	334	99	121
	289,580	424,370	95,588	159,271
Cost of revenue				
Cost of sale of properties	150,729	231,604	44,746	84,051
Hotel operations	20,471	-	8,133	-
Facility management expenses	24,011	19,082	9,705	8,050
Others	2,794	987	512	513
	198,005	251,673	63,096	92,614

Below is the split of revenue recognised based on geographical markets

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>
United Arab Emirates	288,856	424,370	94,864	159,271
Turkey	724	-	724	-
	289,580	424,370	95,588	159,271

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

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>
- Recognised at a point in time	144,279	43,142	46,485	15,882
- Recognised over a period of time	145,301	381,228	49,103	143,389
	289,580	424,370	95,588	159,271

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4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>
Staff costs	22,318	13,466	7,663	4,478
Sales and marketing expenses	11,960	3,187	5,274	1,281
Depreciation	19,097	6,446	7,348	2,151
Other expenses	14,772	10,399	5,861	1,411
	68,147	33,498	26,146	9,321

5 PROPERTY AND EQUIPMENT

Additions, disposal and depreciation

During the nine month period ended 30 September 2022, the Group has made additions amounting to AED 185,387 thousand (nine month period ended 30 September 2021: AED 213,734 thousand).

The Group is currently constructing certain hospitality projects on Mina Al Arab Island. These projects are expected to be completed by 2023 and the carrying amount at 30 September 2022 was AED 633,747 thousand (31 December 2021: AED 1,123,515 thousand).

The amount of borrowing costs capitalised during the nine months ended 30 September 2022 is AED 14,547 thousand (30 September 2021: AED 20,430 thousand) relating to construction of hotel properties. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.56% (30 September 2021: 3.80%), which is the interest rate of the specific borrowing.

Depreciation of property and equipment for the nine months period ended 30 September 2022 amounted to AED 23,934 thousand (30 September 2021: AED 7,511 thousand).

6 INVESTMENT PROPERTIES

	<i>30 September 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 12,525 thousand (nine month period ended 30 September 2021: AED 58,169 thousand) to the interim condensed consolidated income statement.

The management does not consider the fair value of investment properties for the period ended 30 September 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. Refer note 19 on fair valuation of investment properties under development.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

7 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inside UAE	<u>43,606</u>	<u>65,197</u>

The management does not consider the fair value of investment properties under development for the period ended 30 September 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. Refer note 19 on fair valuation of investment properties under development.

8 TRADING PROPERTIES UNDER DEVELOPMENT

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inside UAE	<u>1,666,676</u>	1,795,224
Outside UAE	<u>16,103</u>	16,103
	<u>1,682,779</u>	1,811,327
Less: Classified as current assets	<u>(220,743)</u>	(290,289)
Classified as non-current assets	<u>1,462,036</u>	<u>1,521,038</u>

Trading properties under development include lands held for future development and use amounting to AED 1,459,532 thousand (31 December 2021: AED 1,509,922 thousand).

9 INVESTMENTS

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
<i>Non-current</i>		
Investments at fair value through other comprehensive income	<u>50,243</u>	<u>91,222</u>
<i>Current</i>		
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 September 2022 (Unaudited)

9 INVESTMENTS (continued)

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

	30 September 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 September 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 under other income.

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 statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

10 TRADE AND OTHER RECEIVABLES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Trade receivables	469,379	244,055
Advances to suppliers and contractors	61,634	68,741
Contract assets	162,120	417,655
VAT receivable	3,735	5,512
Other receivables	39,878	25,114
	<u>736,746</u>	<u>761,077</u>
Less: Provision for expected credit losses	(16,417)	(16,417)
	<u>720,329</u>	<u>744,660</u>
Less: Current portion	(223,688)	(233,498)
Non-current portion	<u>496,641</u>	<u>511,162</u>

Advances to suppliers and contractors includes amounts due from a related party of AED 355 thousand (31 December 2021: AED 779 thousand) (note 16).

Movements in provision for expected credit loss:

	<i>30 September 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
	<u>16,417</u>	<u>16,417</u>

11 TRADING PROPERTIES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Inside UAE	61,802	10,104
Outside UAE	14,473	16,010
	<u>76,275</u>	<u>26,114</u>

The management does not consider the fair value of trading properties for the period ended 30 September 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.

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12 BANK BALANCES AND CASH

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Cash in hand	188	17
Bank balances:		
- Current accounts	38,253	25,108
- Call accounts	2,141	713
- Current accounts – unclaimed dividends	39,053	43,140
- Term deposits	400,000	400,000
	<u>479,635</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 3% 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 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (unaudited)</i>
Bank balances and cash	479,635	471,929
Less: Current accounts – unclaimed dividends	(39,053)	(43,181)
Less: Bank overdraft (note 14)	(394,285)	(485,692)
	<u>46,297</u>	<u>(56,944)</u>

13 OTHER RESERVES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
General reserve	633,447	633,447
Development reserve	304,088	303,675
Fair value reserve	(217,585)	(232,290)
	<u>719,950</u>	<u>704,832</u>

General reserve

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

13 OTHER RESERVES (continued)

Development reserve

In accordance with the Company's Articles of Association and pursuant to the approval of the Board of Directors, a development reserve has been created during the year which will be utilised for future development and maintenance of facilities at various properties owned by the Group.

Fair value reserve

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

14 BORROWINGS

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Term loans	903,030	835,257
Bank overdrafts	394,285	502,785
Total borrowings	1,297,315	1,338,042
Less: Current portion	(485,126)	(566,881)
Non-current portion	812,189	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 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; and
- 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 consolidated financial statements of the Group for the year ended 31 December 2021. During the period, the Company has replaced one of existing loans with new lease rental discounting loan of USD 74,871 thousand (AED 275,000 thousand) availed from a commercial bank in UAE. The new loan is repayable over a period of ten years in 39 equal installments and final installment (40th) of USD 29,948 thousand and carry interest at USD secured overnight financing rate (SOFR) plus a fixed margin.

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.

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At 30 September 2022 (Unaudited)

15 TRADE AND OTHER PAYABLES

	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>31 December 2021 AED'000 (Audited)</i>
Trade payables	86,034	100,279
Advance received from customer	151,209	102,108
Project accruals	55,758	40,906
Contract liabilities	25,635	37,388
Unclaimed dividends	39,053	43,140
Other payables and accruals	63,126	39,148
	<u>420,815</u>	<u>362,969</u>
Less: Current portion	(400,695)	(329,929)
	<u>20,120</u>	<u>33,040</u>

Trade payables includes amounts due to a related party of AED 31,361 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>Nine-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>	<i>30 September 2022 AED'000 (Unaudited)</i>	<i>30 September 2021 AED'000 (Unaudited)</i>
<i>Affiliated entities:</i>				
Purchase of services	<u>16,731</u>	<u>246,197</u>	<u>933</u>	<u>86,506</u>
<i>Directors, Key management personnel and their related parties:</i>				
Salaries and benefits	5,082	3,658	1,724	1,284
End of service benefits	319	230	112	88
Directors remuneration	6,000	3,000	-	-
	<u>11,401</u>	<u>6,888</u>	<u>1,836</u>	<u>1,372</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2022 (Unaudited)

16 RELATED PARTY DISCLOSURES (continued)

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

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Due to a related party - trade payables (note 15)	<u>31,361</u>	<u>52,122</u>
Due from a related party – advance to suppliers and contractors (note 10)	<u>355</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 nine month period ended 30 September 2022 is based on net profit of AED 27,548 thousand (30 September 2021: AED 197,943 thousand), divided by the weighted average number of shares of 2,000,000 thousand (30 September 2021: shares of 2,000,000 thousand).

18 CAPITAL COMMITMENTS

Commitments relating to the property development are as follows:

	30 September 2022 AED'000 (Unaudited)	31 December 2021 AED'000 (Audited)
Approved and contracted	<u>251,213</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 489 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. 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.

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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>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 September 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	-	-	43,606	43,606
	-	-	1,676,809	1,676,809
	-	-	50,243	50,243
	40,979	-	-	40,979
Financial assets carried at FVTPL	2,975	-	6,112	9,087
Investment properties	-	-	1,568,192	1,568,192
Investment properties under development	-	-	65,197	65,197
	43,954	-	1,689,744	1,733,698
	-	-	50,243	50,243
	40,979	-	-	40,979
Financial assets carried at FVTPL	2,975	-	6,112	9,087
Investment properties	-	-	1,568,192	1,568,192
Investment properties under development	-	-	65,197	65,197
	43,954	-	1,689,744	1,733,698

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 following major operating segments: property sales, property leasing, hotel operations and others (including facility management services). 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>Nine month period ended 30 September 2022 (Unaudited)</i>					
Revenue	<u>208,383</u>	<u>21,592</u>	<u>40,090</u>	<u>19,515</u>	<u>289,580</u>
Gross profit	<u>57,652</u>	<u>19,025</u>	<u>19,619</u>	<u>(4,721)</u>	<u>91,575</u>
<i>As at 30 September 2022 (Unaudited)</i>					
Total assets	<u>2,391,111</u>	<u>1,620,454</u>	<u>1,305,439</u>	<u>924,970</u>	<u>6,241,974</u>
Total liabilities	<u>539,610</u>	<u>144,028</u>	<u>537,013</u>	<u>892,178</u>	<u>2,112,829</u>
Capital expenditure	<u>-</u>	<u>15,441</u>	<u>182,382</u>	<u>3,005</u>	<u>200,828</u>
<i>Nine month period ended 30 September 2021 (Unaudited)</i>					
Revenue		<u>382,909</u>	<u>22,053</u>	<u>19,408</u>	<u>424,370</u>
Gross profit		<u>151,306</u>	<u>21,294</u>	<u>97</u>	<u>172,697</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 above major operating segments: property sales, property leasing and hotel operations.