

DIRECTORS REPORT FOR 9 MONTH PERIOD ENDED 30 SEPTEMBER 2024

On behalf of the Board of Directors of RAK Properties PJSC, I am pleased to present the consolidated financial results of the company for the period ended 30th September 2024.

Q3 2024 KEY FINANCIAL HIGHLIGHTS:

- Revenue increased by 30% to AED 891 million as at Q3 2024 vs AED 686 million for the same period last year.
- Profit before tax increased by 27% to AED 133 as at Q3 2024 vs AED 105 million for the same period last year.
- Total Assets increased to 20% to AED 7.74 billion as at Q3 2024 vs AED 6.46 billion as at 31 December 2023.
- Total Equity stood at AED 5.34 billion as at Q3 2024 vs AED 4.30 billion as at 31 December 2023

Income Statement	AED Million	
	<u>30 Sep 2024</u>	<u>30 Sep 2023</u>
Revenue	891	686
Cost of Revenue	(549)	(452)
Gross Profit	342	234
Operating Profit	192	138
Profit before Tax	133	105
Net Profit for the period	121	105
Total comprehensive income	121	105

Financial Position	AED Million	
	<u>30 Sep 2024</u>	<u>31 Dec 2023</u>
Non-Current Assets	6,335	5,408
Current Assets	1,409	1,051
Total Assets	7,744	6,459
Non-Current Liabilities	1,430	1,311
Current Liabilities	971	843
Capital and Reserves	5,343	4,305
Total Equity & Liabilities	7,744	6,459

DEVELOPMENT UPDATE

Residential:

1. **Bay Residence**, 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. All 324 units within the two towers have been fully sold out.
2. **Bay Residence Phase 2**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Beach front residential buildings.
 - a. All 324 units within the 2 towers located next to Intercontinental Hotel Ras Al Khaimah has been successfully sold. Handover is scheduled for the first half of next year.
 - b. Construction of these 2 towers is progressing as per the development plan.
3. **Gateway Residence 2**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential building.
 - a. Construction of this 8-storey tower at the entrance of Hayat Island is progressing well as planned.
 - b. All 146 apartments in this tower have been fully sold out.
4. **Marbella Villa Phase 2**, Mina Al Arab, Ras Al Khaimah – Luxury Villas and Townhouses.
 - a. Construction of these additional 89 villas and townhouses is on track for early handover.
5. **Bayviews**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential Buildings.
 - a. Construction of these 2 towers commenced at the end of 2023.
 - b. All 344 apartments within the 2 towers sold out within few hours of the launch.
6. **Porto Playa**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential building.
 - a. Ellington Properties, in collaboration with RAK Properties, has commenced construction on Porto Playa, a waterfront residential development.
 - b. This groundbreaking marks Ellington's strategic expansion into Ras Al Khaimah.
7. **Cape Hayat**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential Buildings.
 - a. The sale of these 4 towers consisting of 678 apartments was launched last year. 89% of the project was sold as of Q3 2024.
 - b. Project construction of these 4 towers commenced at the end of 2023 and is on track.
8. **Quattro Del Mar**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Residential Buildings.
 - a. The new project, featuring an integrated lifestyle hub with entertainment and world-class facilities, was launched at the beginning of this year. 70% of the launched inventory was sold as of Q3 2024.
 - b. Piling has commenced for this project, with planned completion by the end 2026.

9. **Granada II**, Mina Al Arab, Ras Al Khaimah – townhouses.
 - a. Phase 2 of Granada, consisting of 80 townhouses, was launched at the end of Q2 2024.
 - b. The construction of the Granada extension project commenced, with planned completion in Q1 2026.
10. **Edge**, Raha Island, Mina Al Arab, Ras Al Khaimah – Residential Buildings.
 - a. RAK Properties introduced a new luxury living experience in Raha Island with the launch of Edge, a yacht inspired waterfront residential tower comprising 237 units with a mix of studios, one-bedroom and two-bedroom apartments.
 - b. Since its launch at the end of Q2 2024, 44% of the launched inventory has been sold as of Q3 2024.
11. **NB Collection**, Hayat Island, Mina Al Arab, Ras Al Khaimah – Exclusive beach front Villas.
 - a. A bespoke collection of high-end beach front villas was introduced by RAK Properties and launched to the market at the end of Q2 2024.
 - b. This collection consists of 11 high-end villas, with completion date expected at the end of 2026.

Hospitality:

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

The prestigious 351-key hotel situated on Hayat Island, Mina Al Arab, continues to demonstrate solid performance, achieving high occupancy rates and generating strong financial revenue.
2. **Anantara Mina Al Arab Hotel and Resort**, Ras Al Khaimah
The second 5 Star luxury hospitality asset with 174 keys opened its door and commenced operation on 02 January 2024. Results to date are ahead of targets.

Planned Projects:

- a) RAK Properties partners with Nikki Beach Global to open first branded resort and beach club in Mina Al Arab, Ras Al Khaimah
- b) RAK Properties has expanded its strategic partnership with IHG Hotels & Resorts with the introduction of Staybridge Suites at Mina Al Arab Hayat Island.
- c) RAK Properties has expanded its partnership with Minor Hotels to introduce the upcoming Anantara Branded Residences, marking another significant milestone in RAK Properties' vision to position Mina Al Arab as a leading global destination for luxury island living within a vibrant community hub.

Significant Events:

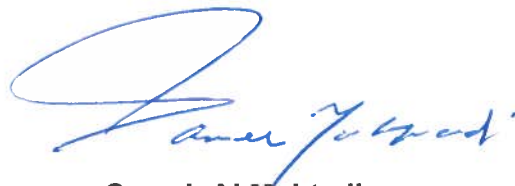
- a) During the year, RAK Properties distributed a 3% cash dividend amounting to AED 60 million and bonus share of 4% of the share capital for the year ended 2023. This distribution was approved at the company's AGM held on 20th March 2024.
- b) Following the Annual General Meeting on March 20, 2024, the Government of Ras Al Khaimah increased its stake in RAK Properties to c. 34% after receiving SCA approval in June 2024. This strategic partnership involved the government injecting additional land bank into the company, boosting RAK Properties' assets and share capital. This

- transaction, reflected in the Q2 financial statements, aligns with the company's significant growth in revenue and net profit in 2023 and a solid 2024 quarterly performance, demonstrating robust demand for its real estate and hospitality offerings
- c) Recognising RAK Properties' unwavering commitment to developing lifestyle destinations, including its flagship project Mina Al Arab, the increased stake reflects the government's confidence in the company and the perceived value of master plan-led developments and their critical role in the emirate.
 - d) RAK Properties partnered with the Commercial Bank of Dubai to secure an AED 2 billion financing facility. This long-term financing will fuel ambitious growth plans in Mina Al Arab and commitment to developing green buildings.

We have achieved remarkable growth, highlighted by a 30% year-on-year increase in revenue, reaching AED 891 million, and a rise in profit before tax to AED 133 million. These accomplishments are a testament to the successful execution of our strategic vision and the diverse appeal of our project portfolio. Our residential developments continue to attract robust interest from both investors and end-users, with several projects selling out entirely, underscoring the desirability and investment potential of our properties. In addition, our hospitality offerings are demonstrating strong performance and high occupancy rates, highlighting the increasing appeal of Ras Al Khaimah as a prime tourism destination.

Our commitment to excellence drives us to deliver projects on schedule and to the highest standards, reinforcing our reputation for quality. Mina Al Arab, our flagship development, exemplifies our approach to building integrated and thriving communities. By year-end, we anticipate the handover of several key projects, which will further contribute to our revenue stream.

We are confident in our ability to sustain this positive momentum and are grateful for the ongoing support of our shareholders, partners, and employees, and we remain dedicated to creating long-term value for all stakeholders.



Sameh Al Muhtadi
Chief Executive Officer

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

Interim Condensed Consolidated Financial
Statements (Unaudited)

For the period ended 30 September 2024

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

**Interim Condensed Consolidated Financial Statements (Unaudited)
For the period ended 30 September 2024**

Table of Contents

	<u>Pages</u>
Report on review of interim condensed consolidated financial statements	1
Interim condensed consolidated statements of financial position	2
Interim condensed consolidated income statement	3
Interim condensed consolidated statement of comprehensive income	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 - 24

**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 September 2024 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 statement of cash flows for the nine-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”. 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 condensed 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.


GRANT THORNTON UAE

Farouk Mohamed
Registration No: 86
Sharjah, United Arab Emirates



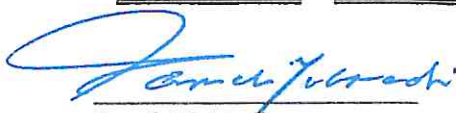
6 November 2024

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

Interim condensed consolidated statement of financial position
As at 30 September 2024 (Unaudited)

	Notes	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	1,826,419	1,868,205
Investment properties	4	1,532,708	1,532,708
Investment properties under development	5	35,716	28,098
Trading properties under development	6	2,350,619	1,341,869
Investments at fair value through other comprehensive income	7	19,955	20,270
Investments in a joint venture	8	68,394	68,069
Trade and other receivables	9	501,304	548,900
		<u>6,335,115</u>	<u>5,408,119</u>
Current assets			
Trading properties under development	6	79,458	-
Inventories		2,850	1,618
Investments at fair value through profit or loss	7	-	3,249
Trading properties	10	30,491	38,552
Trade and other receivables	9	853,495	549,667
Bank balances and cash	11	442,573	457,705
		<u>1,408,867</u>	<u>1,050,791</u>
TOTAL ASSETS		<u>7,743,982</u>	<u>6,458,910</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	3,000,000	2,000,000
Share premium	12	114,120	-
Statutory reserve		1,000,000	1,000,000
Treasury shares	12	(49,141)	-
Retained earnings		554,728	589,778
Other reserves	13	723,041	714,577
Total equity		<u>5,342,748</u>	<u>4,304,355</u>
Non-current liabilities			
Provision for employees' end-of-service benefits		7,727	5,635
Borrowings	14	770,246	781,042
Deferred government grants		351,867	369,662
Trade and other payables	15	300,622	154,846
		<u>1,430,462</u>	<u>1,311,185</u>
Current liabilities			
Borrowings	14	558,139	452,067
Trade and other payables	15	412,633	391,303
		<u>970,772</u>	<u>843,370</u>
Total liabilities		<u>2,401,234</u>	<u>2,154,555</u>
TOTAL EQUITY AND LIABILITIES		<u>7,743,982</u>	<u>6,458,910</u>


Abdul Aziz Abdullah Al Zaabi
Chairman


Sameh Muhtadi
Chief Executive Officer

The accompanying notes 1 to 23 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 period ended 30 September 2024 (Unaudited)

	Notes	Three-month period ended		Nine-month period ended	
		30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
Revenue	16	280,951	173,925	891,327	685,562
Cost of revenue	16	(179,497)	(114,397)	(548,772)	(451,576)
GROSS PROFIT		101,454	59,528	342,555	233,986
Selling, general and administrative expenses	17	(51,205)	(34,621)	(156,736)	(98,648)
Other income		2,765	2,639	5,494	5,238
Loss on impairment of trading properties under development		-	-	-	(2,288)
Share of profit from a joint venture	8	112	-	325	-
OPERATING PROFIT		53,126	27,546	191,638	138,288
Finance costs		(22,390)	(14,280)	(68,833)	(42,499)
Finance income		4,780	3,714	13,807	9,380
Net change in fair value of investments at fair value through profit and loss	7	-	-	(3,249)	-
NET PROFIT FOR THE PERIOD BEFORE TAX		35,516	16,980	133,363	105,169
Income tax	18	(3,159)	-	(11,949)	-
NET PROFIT FOR THE PERIOD		32,357	16,980	121,414	105,169
Earnings per share for the period – basic and diluted (AED)	20	0.011	0.008	0.051	0.051

The accompanying notes 1 to 23 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 2024 (Unaudited)

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
NET PROFIT FOR THE PERIOD	32,357	16,980	121,414	105,169
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	32,357	16,980	121,414	105,169

The accompanying notes 1 to 23 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 nine-month period ended 30 September 2024 (Unaudited)

	Share capital AED '000	Share premium AED '000	Statutory reserve AED '000	Treasury shares AED '000	Retained earnings AED '000	Other reserves AED '000	Total equity AED '000
Balance at 1 January 2024 (Audited)	2,000,000	-	1,000,000	-	589,778	714,577	4,304,355
Net profit for the period	-	-	-	-	121,414	-	121,414
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	121,414	-	121,414
Issuance of stock dividend (Note 12)	80,000	-	-	-	(80,000)	-	-
Dividend (Note 21)	-	-	-	-	(60,000)	-	(60,000)
Additional capital issued (Note 12)	920,000	114,120	-	-	-	-	1,034,120
Treasury shares (Note 12)	-	-	-	(49,141)	-	-	(49,141)
Board of Directors' remuneration	-	-	-	-	(8,000)	-	(8,000)
Transfer to retained earnings on disposal of investments designated at FVOCI	-	-	-	-	(5,983)	5,983	-
Transfer to other reserves	-	-	-	-	(2,481)	2,481	-
Balance at 30 September 2024 (Unaudited)	3,000,000	114,120	1,000,000	(49,141)	554,728	723,041	5,342,748
	Share capital AED '000	Share premium AED '000	Statutory reserve AED '000	Treasury shares AED '000	Retained earnings AED '000	Other reserves AED '000	Total equity AED '000
Balance at 1 January 2023 (Audited)	2,000,000	-	1,000,000	-	409,057	713,112	4,122,169
Net profit for the period	-	-	-	-	105,169	-	105,169
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	105,169	-	105,169
Prior year adjustment	-	-	-	-	207	-	207
Transfer to other reserves	-	-	-	-	(849)	849	-
Balance at 30 September 2023 (Unaudited)	2,000,000	-	1,000,000	-	513,584	713,961	4,227,545

The accompanying notes 1 to 23 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 nine-month period ended 30 September 2024 (Unaudited)

		Nine-month period ended	
		30 September 2024	30 September 2023
	Notes	AED'000 (Unaudited)	AED'000 (Unaudited)
OPERATING ACTIVITIES			
Net profit for the period		121,414	105,169
<i>Adjustments for:</i>			-
Depreciation	3	50,622	27,083
Income tax expense	18	11,949	-
Provision for employees' end-of-service benefits		2,255	1,646
Finance costs		68,833	42,499
Finance income		(13,807)	(9,380)
Dividend income		(296)	-
Amortisation of government grants		(17,794)	(13,658)
Gain on disposal of property and equipment		(90)	-
Net change in fair value of investments at fair value through profit and loss		3,249	-
Impairment of trading properties under development		-	2,288
Share of profit from joint venture		(325)	-
Cash from operations before working capital changes		226,010	155,647
Trading properties		8,061	(2,804)
Trading properties under development		(440)	269,929
Trade and other receivables		(256,950)	(209,721)
Trade and other payables		160,113	157,490
Inventories		(1,232)	(260)
Net cash flows from operations		135,562	370,281
Employees end of service indemnity paid		(163)	(87)
Net cash flows generated from operating activities		135,399	370,194
INVESTING ACTIVITIES			
Additions to property and equipment		(56,961)	(156,898)
Interest received		14,816	8,430
Dividend received		296	-
Proceeds from sale of investment		315	-
Proceed from sale of property and equipment		90	-
Additions to investment properties under development		(13,140)	(15,252)
Net cash flows used in investing activities		(54,584)	(163,720)
FINANCING ACTIVITIES			
Dividend paid		(60,000)	(33,266)
Directors' remuneration paid		(8,000)	-
Acquisition of treasury shares, net		(49,141)	-
Borrowings availed		177,510	89,842
Borrowings repaid		(134,033)	(83,742)
Interest paid		(74,083)	(42,499)
Net cash flows used in financing activities		(147,747)	(69,665)
Net change in cash and cash equivalents		(66,932)	136,809
Cash and cash equivalents at the beginning of the period		102,017	(1,127)
Cash and cash equivalents at the end of the period	11	35,085	135,682

The accompanying notes 1 to 23 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 nine-month period ended 30 September 2024 (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. 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 2024 comprises the Company and its subsidiaries as (collectively referred to as the "Group").

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

The interim condensed consolidated financial statements were authorised for issue on 6 November 2024 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 nine-month ended 30 September 2024 have been prepared in accordance with International Accounting Standard 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 Arab Emirates Dirham (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 nine-month period ended 30 September 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

2 Basis of preparation (continued)

2.1 Statement of compliance (continued)

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 September 2024. Control is achieved where all the following criteria are met:

- (a) the Group 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 Group has exposure, or rights, to variable returns from its involvement with the entity; and
- (c) the Group has the ability to use its power over the entity to affect the amount of the Group'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 September 2024	31 December 2023
RAK Properties International Limited	UAE	100%	100%
Intercontinental RAK Mina Al Arab Resorts & Spa L.L.C	UAE	100%	100%
Anantara Mina Al Arab Ras Al khaimah Resorts L.L.C*	UAE	100%	100%
Lagoon Marina Ship Management & Operation L.L.C	UAE	100%	100%
RAK Properties Tanzania Limited	Tanzania	100%	100%
Dolphin Marina Limited	Tanzania	100%	100%
RAK Properties Gayreimenkul Pazarlama Anonim Sirketi	Turkey	100%	100%

* Incorporated on 13 June 2023 and commenced commercial operations from 2 January 2024.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

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.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

2 Basis of preparation (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

Judgements (continued)

(i) Revenue from contracts with customers (continued)

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.

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.

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

Notes to the interim condensed consolidated financial statements (continued)

For the nine-month period ended 30 September 2024 (Unaudited)

2 Basis of preparation (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

(iii) Classification of properties (continued)

Key sources of estimation uncertainty (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.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

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 2023, except for the adoption of the following new standards and interpretations effective as of 1 January 2024.

- Non-current liabilities with covenants (Amendments to ISA 1)
- Lease liability in a sale and leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

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

- IFRS 19 Subsidiaries without Public Accountability: Disclosures (*effective from 1 January 2027*)
- IFRS 18 Presentation and Disclosures in Financial Statements (*effective from 1 January 2027*)
- Amendments to the SASB standards (*effective from 1 January 2025*)
- Lack of Exchangeability (*effective from 1 January 2025*)

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 nine-month period ended 30 September 2024, the Group has made additions amounting to AED 56,961 thousand mainly related to the hospitality project (nine-month period ended 30 September 2023: AED 157,105 thousand).

The Group has commenced operations of Anantara Hotel and Resort on 2 January 2024 and accordingly, related assets amounting to AED 686,204 thousand have been transferred from capital work-in-progress to their related class of assets and depreciation has commenced from that date.

Depreciation of property and equipment for the nine-month period ended 30 September 2024 amounted to AED 50,622 thousand (30 September 2023: AED 27,083 thousand).

The borrowing costs capitalised during the nine-month period ended 30 September 2024 is AED 162 thousand (nine-month period ended 30 September 2023: an amount of AED 18,549 thousand of borrowing costs has been capitalised related to construction of hotel properties).

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

4 Investment properties

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
In UAE	<u>1,532,708</u>	<u>1,532,708</u>

Investment property comprises parcels of land and number of residential and commercial properties that are leased to third parties.

The management does not consider the fair value of investment properties as at 30 September 2024 to be significantly different from the fair value as at 31 December 2023. The fair valuation of investment properties was conducted by an independent external valuer as at 31 December 2023. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2024, unless there are indicators which suggest a significant change in the fair value before the reporting period.

Certain items of investment properties are mortgaged against bank borrowings.

5 Investment properties under development

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Balance at beginning of the period/year	28,098	44,299
Cost incurred during the period/year	13,140	25,259
Transferred to investment properties	-	(12,928)
Transferred to trading properties under development	(5,522)	(28,532)
Balance at end of the period/year	<u>35,716</u>	<u>28,098</u>

Investment properties under development are located in United Arab Emirates. Refer Note 23 on fair valuation of investment properties under development.

The management does not consider the fair value of investment properties under development as at 30 September 2024 to be significantly different from the fair value as at 31 December 2023. The fair valuation of investment properties under development was conducted by an independent external valuer as at 31 December 2023. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2024, unless there are indicators which suggest a significant change in the fair value before the reporting period.

6 Trading properties under development

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Inside UAE	2,416,262	1,328,054
Outside UAE	13,815	13,815
	<u>2,430,077</u>	<u>1,341,869</u>
Less: Classified as current assets	(79,458)	-
Classified as non-current assets	<u>2,350,619</u>	<u>1,341,869</u>

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

6 Trading properties under development (continued)

During the period, the Company issued 920 million shares to the Government of Ras Al Khaimah (as a strategic partner) in exchange for contribution of several plots of land to the Company as in-kind consideration against the issuance of new shares with a fair value of AED 1,034,120 thousand. Fair valuation of the plots of land acquired was determined by an independent external valuer on 12 June 2024. Refer Note 12 for further details of this transaction. The Group has decided to develop this land and accordingly categorised it under trading properties under development.

7 Investments

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Non-current investments		
At fair value through other comprehensive income		
Investment within UAE		
Unquoted equity investment	1,583	1,898
Investments outside UAE		
Unquoted real estate funds	3,320	3,320
Unquoted equity investments	15,052	15,052
	<u>19,955</u>	<u>20,270</u>
	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Current investments		
At fair value through profit and loss		
Unquoted equity investment	-	3,249

During the nine-month period, dividend income of AED 296 thousand were received on these investments (2023: AED Nil).

The details of valuation techniques and assumptions applied for the measurement of fair value of financial instruments are mentioned in Note 23 of the interim condensed consolidated financial statements.

8 Investment in a joint venture

	30 September 2024 AED '000 (Unaudited)	31 December 2023 AED '000 (Audited)
Ellington Development FZ LLC	<u>68,394</u>	<u>68,069</u>

During the year ended 31 December 2023, the Group entered into a joint venture agreement ("JVA") and a Development Management Agreement ("DMA"), collectively referred to as "the Agreements", with Ellington Properties Development LLC ("Ellington"). Whereby, the Group intends to develop a plot of land situated on Hayat Island, Ras Al Khaimah into a premium development (the "Project") and granted a power of attorney in favour of Ellington, appointing it to manage the development of Porto Playa project.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

8 Investment in a joint venture (continued)

Under the agreements, the Group's contribution in the Project shall be the land with initial value of AED 68 million. Ellington shall, without any set-off, counterclaim or deduction, contribute the development funding for the Project in an amount equal to the land value, such contribution shall include the development manager fee during the project development duration. To facilitate this arrangement, Ellington incorporated a development company called "Ellington Development FZ LLC", of which Ellington owns 100% of the share capital, however, under the Agreements both control and profit shall be on an equal 50:50 basis between the Group and Ellington.

Movement in the investment in a joint venture during the period/year is as follow:

	30 September 2024 AED '000 (Unaudited)	31 December 2023 AED '000 (Audited)
Balance at beginning of the period/year	68,069	-
Transfer from investment properties	-	33,592
Transfer from trading properties under development	-	34,408
	<u>68,069</u>	<u>68,000</u>
Share of profit during the period/year	325	69
Balance at end of the period/year	<u>68,394</u>	<u>68,069</u>

9 Trade and other receivables

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Trade receivables	397,833	533,096
Contract assets	687,356	326,831
Trade receivables and contract assets, gross	<u>1,085,189</u>	<u>859,927</u>
Less: Provision for expected credit losses	(25,236)	(25,236)
Trade receivables and contract assets, net	<u>1,059,953</u>	<u>834,691</u>
Other receivables	171,525	142,893
	<u>1,231,478</u>	<u>977,584</u>
Advances to suppliers and contractors	104,038	111,572
VAT receivables	13,445	7,452
Deferred tax asset	292	-
Prepayments	5,546	1,959
	<u>1,354,799</u>	<u>1,098,567</u>
Less: Non-current portion of trade and other receivables	(501,304)	(548,900)
Balance at end of the period/year	<u>853,495</u>	<u>549,667</u>

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

9 Trade and other receivables (continued)

Movements in provision for expected credit loss:

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Balance at beginning of the period/year	25,236	21,648
Provision for impairment allowance for the period/year	-	3,588
Balance at the end of the period/year	<u>25,236</u>	<u>25,236</u>

10 Trading properties

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
At 1 January	38,552	42,140
Transfer to investment properties	-	(6,044)
Transfer from trading properties under development	-	182,517
Cost of properties sold – units	(8,061)	(179,351)
Impairment	-	(710)
Balance at the end of the period/year	<u>30,491</u>	<u>38,552</u>
Inside UAE	16,728	24,789
Outside UAE	13,763	13,763
	<u>30,491</u>	<u>38,552</u>

11 Bank balance and cash

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Cash in hand	266	140
Bank balances:		
- Current accounts	33,993	48,543
- Call accounts	2,585	3,293
- Current accounts – unclaimed dividends	5,729	5,729
- Term deposits	400,000	400,000
Balance at the end of the period/year	<u>442,573</u>	<u>457,705</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 4.00% to 5.30% per annum (2023: 1.85% to 5 % 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 United Arab Emirates.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

11 Bank balances and cash (continued)

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

	30 September 2024 AED'000 (Unaudited)	30 September 2023 AED'000 (Unaudited)
Bank balances and cash	442,573	461,658
Less: Current accounts – unclaimed dividends	(5,729)	(5,729)
Less: Bank overdraft	(401,759)	(320,247)
	<u>35,085</u>	<u>135,682</u>

12 Share capital and treasury shares

Share capital

	30 September 2024 Number of shares- thousands (Unaudited)	31 December 2023 Number of shares- thousands (Audited)	30 September 2024 AED '000 (Unaudited)	31 December 2023 AED '000 (Audited)
Issued and fully paid shares of par value of AED 1 each	<u>3,000,000</u>	2,000,000	<u>3,000,000</u>	2,000,000

The shareholders in the Annual General Meeting held on 20 March 2024 approved a cash dividend of AED 0.03 per share (2023: AED Nil) amounting to AED 60 million in addition to bonus shares of 4% (2023: AED Nil) amounting to AED 80 million.

The shareholders at the Annual General Meeting approved to increase the Company's share capital by issuing 920 million shares with a nominal value of 1 AED, with a total value of AED 920 million to the Government of Ras Al Khaimah as a Strategic Investor. The transaction resulted in increase of Government of Ras Al Khaimah shareholding in the Company from 5% to about 34% after the issuance of the additional share capital. This transaction was approved by the Securities and Commodities Authority (SCA) on 20 June 2024.

In exchange for the newly issued 920 million shares, the Government of Ras Al Khaimah contributed several plots of land to the Company as in-kind contribution with a fair value of AED 1,034,120 thousand, as determined by independent external valuers on 12 June 2024. The excess of the in-kind contribution of AED 114,120 thousand has been treated as share premium. Being a non-cash transaction, the transaction has been excluded in preparing the interim condensed consolidated statement of cash flows.

Treasury shares

On 10 January 2024, the Company entered into an agreement with a licensed liquidity provider on Abu Dhabi Stock Exchange (ADX), to place buy and sell orders of the Company's shares with the objective to reduce the spread between bid/ask price in trading as well as providing liquidity for the Company's shares. The Company's shares would be held under the legal name of liquidity provider on behalf of the Company. The liquidity provider operates within the pre-determined parameters approved by the Company. The Company monitors the transactions undertaken by the liquidity provider on a daily basis. As at 30 September 2024, 41,078 thousand treasury shares with a market value of AED 48,884 thousand were held (2023: No treasury shares held).

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

13 Other reserves

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
General reserve	656,708	656,708
Development reserve	303,675	303,675
Fair value reserve	(241,449)	(247,432)
Other reserve	4,107	1,626
	<u>723,041</u>	<u>714,577</u>

14 Borrowings

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Term loans	926,626	883,150
Bank overdrafts	401,759	349,959
Total borrowings	<u>1,328,385</u>	<u>1,233,109</u>
Less: Current portion	(558,139)	(452,067)
Non-current portion	<u>770,246</u>	<u>781,042</u>

The Group has obtained an overdraft facility of AED 700,000 thousand (31 December 2023: AED 540,000 thousand) from commercial banks. Interest on bank overdrafts, which is secured by term deposit is 0.25% per annum over such term deposit rates. Further, for unsecured bank overdrafts, interest is computed at a fixed margin + 3 months EIBOR per annum.

During the period, the Group entered into a revolving facility with total limit of AED 350,000 thousand from a commercial bank for the purpose of working capital requirements. The facility has been secured at fixed margin + 3 months EIBOR per annum.

The overdraft facilities of the Group are secured by:

- Lien over term deposit for AED 400,000 thousand (Note 11); and
- To route funds 1.5 times of the net clean limit utilised under the overdraft.

The details of the long-term bank loans, including terms of repayment and interest rate are set out in the consolidated financial statements of the Group for the year ended 31 December 2023.

The bank borrowing agreements ("Agreements") contain certain restrictive covenants including maintaining Debt to EBITDA ratio which is tested annually. The Group complied with the annual bank covenants as at 31 December 2023.

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 (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

15 Trade and other payables

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Trade payables	125,078	81,882
Project accruals	148,224	114,442
Contract liabilities	135,968	48,550
Unclaimed dividends	5,729	5,729
Advance connection charges	122,815	110,697
Other payables and accruals	175,441	184,849
	<u>713,255</u>	<u>546,149</u>
Less: Current portion	(412,633)	(391,303)
Non-current portion	<u>300,622</u>	<u>154,846</u>

Trade payables include amounts due to a related party of AED 4,212 thousand (31 December 2023: AED 4,953 thousand) (Note 19).

16 Revenue and cost of revenue

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
Type of revenue with customers				
Sale of properties	231,602	137,461	716,974	562,643
Hotel operations	33,370	21,857	129,701	80,423
Property leasing and others	15,979	14,607	44,652	42,496
Total revenue	<u>280,951</u>	<u>173,925</u>	<u>891,327</u>	<u>685,562</u>
Cost of revenue				
Cost of sale of properties	152,301	93,610	472,659	401,964
Hotel operations	18,497	10,578	60,126	33,463
Property leasing and others	13,640	12,456	33,781	29,807
Amortisation of government grants	(4,941)	(2,247)	(17,794)	(13,658)
	<u>179,497</u>	<u>114,397</u>	<u>548,772</u>	<u>451,576</u>

The Group earned its entire revenue from contracts within the United Arab Emirates.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

16 Revenue and cost of revenue (continued)

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

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
Recognised over a period of time	266,795	142,804	853,148	396,370
Recognised at a point in time	5,139	23,345	13,977	267,070
Total revenue from contracts with customers	271,934	166,149	867,125	663,440
Leasing income – recognised over term of lease	9,017	7,776	24,202	22,122
Total revenue	280,951	173,925	891,327	685,562

17 Selling, general and administrative expenses

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
Staff costs	13,478	11,304	42,543	27,793
Sales and marketing expenses	8,204	8,995	27,876	25,798
Depreciation	15,401	7,470	45,786	22,247
Other expenses	14,122	6,852	40,531	22,810
	51,205	34,621	156,736	98,648

18 Income tax expense

The Group has calculated their income tax liability in accordance with Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) with effect from 1 January 2024.

- (a) The income tax expense recognised in the interim condensed consolidated income statement comprises the following:

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
Income tax				
Current income tax expense	3,451	-	12,241	-
Deferred tax	(292)	-	(292)	-
Total income tax expense	3,159	-	11,949	-

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

18 Income tax expense (continued)

(b) Reconciliation of income tax expense:

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
Profit before tax	35,516	16,980	133,363	88,189
Tax at the tax rate of 9% effective from January 1, 2024	3,197	-	12,003	-
Tax effects of				
Less: Share of profit from associate	(30)	-	(30)	-
Add: Expenses not deductible for tax purposes	-	-	1	-
Less: Taxable income not exceeding threshold	(8)	-	(25)	-
Total income tax expense	3,159	-	11,949	-

19 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:

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)	30-Sep 2024 AED'000 (Unaudited)	30-Sep 2023 AED'000 (Unaudited)
<i>Key management compensation:</i>				
Salaries and benefits	3,363	3,239	12,837	7,932
Accrual of end of service benefits	129	23	344	283
Directors' remuneration	-	-	8,000	-
	3,492	3,262	21,181	8,215
<i>Other transactions with key management personnel:</i>				
Sale of properties	4,609	-	4,609	-

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

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Due to a related party - trade payables (Note 15)	4,212	4,953

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

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

20 Basic and diluted earnings per share

Earnings per share are computed by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

	Three-month period ended		Nine-month period ended	
	30-Sep 2024 (Unaudited)	30-Sep 2023 (Unaudited)	30-Sep 2024 (Unaudited)	30-Sep 2023 (Unaudited)
Basic earnings per share				
Net profit for the period (AED'000)	32,357	16,980	121,414	105,169
Issued ordinary shares outstanding at 1 July/1 January (in thousands)	2,957,571	2,080,000	2,000,000	2,000,000
Effects of bonus shares issued (in thousands)	-	-	80,000	80,000
Effects of treasury shares (in thousands)	668	-	(26,102)	-
Effects of shares in-lieu of property (in thousands)	-	-	343,736	-
Weighted average number of shares outstanding at 30 September (in thousands)	2,958,239	2,080,000	2,397,634	2,080,000
Basic and diluted earnings per share (AED)	0.011	0.008	0.051	0.051

There were no potentially dilutive shares as at 30 September 2024 and 30 September 2023.

In accordance with IAS 33, "Earnings per Share" as the issue of bonus shares is without consideration, the calculation of basic and diluted earnings per share is adjusted retrospectively as if the bonus share issue had occurred at the beginning of the earliest period presented.

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

21 Contingent liabilities and commitments

Commitments relating to the property development are as follows:

	30 September 2024 AED'000 (Unaudited)	31 December 2023 AED'000 (Audited)
Approved and contracted	<u>869,263</u>	<u>1,144,523</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.

22 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 2023.

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).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2024 (Unaudited)				
Fair value through OCI				
Unquoted equities and funds	-	-	19,955	19,955
Financial assets carried at FVTPL	-	-	-	-
Investment properties	-	-	1,532,708	1,532,708
Investment properties under development	-	-	35,716	35,716
	<u>-</u>	<u>-</u>	<u>1,588,379</u>	<u>1,588,379</u>

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

Notes to the interim condensed consolidated financial statements (continued)
For the nine-month period ended 30 September 2024 (Unaudited)

22 Fair values of financial instruments (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2023 (Audited)				
Fair value through OCI				
Unquoted equities and funds	-	-	20,270	20,270
Financial assets carried at FVTPL	-	-	3,249	3,249
Investment properties	-	-	1,532,708	1,532,708
Investment properties under development	-	-	28,098	28,098
	-	-	1,584,325	1,584,325

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.

23 Segment reporting

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

	Property sales AED'000	Hotel operations AED'000	Property leasing and others AED'000	Total AED'000
Nine-month period ended 30 September 2024 (Unaudited)				
Revenue	716,974	129,701	44,652	891,327
Gross profit	262,110	69,575	10,870	342,555
As at 30 September 2024 (Unaudited)				
Total assets	3,719,728	1,445,934	2,578,320	7,743,982
Total liabilities	570,101	607,571	1,223,562	2,401,234
Capital expenditure	-	51,334	18,766	70,100
Nine-month period ended 30 September 2023 (Unaudited)				
Revenue	563,002	80,423	42,137	685,562
Gross profit	174,695	46,960	12,331	233,986
As at 31 December 2023 (Audited)				
Total assets	2,377,691	1,553,179	2,528,040	6,458,910
Total liabilities	515,627	624,577	1,014,351	2,154,555
Capital expenditure	-	211,864	57,376	269,240