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

Interim Condensed Consolidated Financial Statements
(Unaudited)

For The Period Ended 30 September 2023

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

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

Table of Contents

	Page
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 – 25

Grant Thornton Audit &
Accounting Limited
- SHJ BR

Office 305
Al Bakr Tower 5
7/9 Al Khan Street
Sharjah, UAE

T +971 6 525 9691
F +971 6 525 9690
www.grantthornton.ae

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 statement of financial position of RAK Properties P.J.S.C. (the "Company") and its subsidiaries (the "Group") as at 30 September 2023 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income for the 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" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Other matter

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2022 were reviewed by another auditor who expressed an unmodified conclusion on 05 November 2022 and the consolidated financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unqualified opinion on 11 February 2023.

Grant Thornton

P.O. Box: 1968
Sharjah - U.A.E.
GRANT THORNTON
Audit and Accounting Limited (Sharjah Branch)

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Sharjah, 01 November 2023

© 2023 Grant Thornton UAE - All rights reserved. Grant Thornton UAE represents all legal licenses under which Grant Thornton Audit and Accounting Limited Corporation, A British Virgin Islands ("BVI") registered Branch, operate in the UAE. These licenses include the Abu Dhabi, Dubai and Sharjah based branches – Grant Thornton Audit and Accounting Limited – registered with the Abu Dhabi Global Market – Grant Thornton Audit and Accounting Limited Corporation BVI – registered with the Dubai Financial Services Authority.
"Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. GTIL and the member firm s are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and i ts member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

RAK Properties P.J.S.C. and its subsidiaries
Interim condensed consolidated statement of financial position
As at 30 September 2023 (Unaudited)

	Notes	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	**1,778,759**	1,648,737
Investment properties	4	**1,559,016**	1,559,016
Investment properties under development	5	**43,798**	44,299
Trading properties under development	6	**1,440,198**	1,501,472
Investments	7	**40,108**	40,108
Trade and other receivables	8	**423,054**	491,534
		5,284,933	5,285,166
Current assets			
Trading properties under development	6	**-**	195,190
Inventories		**1,640**	1,380
Investments	7	**5,447**	5,447
Trading properties	9	**44,944**	42,140
Trade and other receivables	8	**572,118**	292,967
Bank balances and cash	10	**461,658**	492,779
		1,085,807	1,029,903
TOTAL ASSETS		**6,370,740**	6,315,069
EQUITY AND LIABILITIES			
Equity			
Share capital		**2,000,000**	2,000,000
Statutory reserve		**1,000,000**	1,000,000
Retained earnings		**513,584**	409,057
Other reserves	11	**713,961**	713,112
TOTAL EQUITY		**4,227,545**	4,122,169
Non-current liabilities			
Provision for employees' end-of-service benefits		**5,610**	4,051
Borrowings	12	**806,730**	806,030
Deferred government grants		**374,826**	388,484
Trade and other payables	13	**67,476**	19,686
		1,254,642	1,218,251
Current liabilities			
Borrowings	12	**417,987**	547,251
Trade and other payables	13	**470,566**	427,398
		888,553	974,649
TOTAL LIABILITIES		**2,143,195**	2,192,900
TOTAL EQUITY AND LIABILITIES		**6,370,740**	6,315,069

Abdul Aziz Abdullah Al Zaabi
Chairman

Sameh Muhtadi
Chief Executive Officer

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

RAK Properties P.J.S.C. and its subsidiaries
Interim condensed consolidated income statement
For the period ended 30 September 2023 (Unaudited)

	Notes	Nine-month period ended 30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	Three-month period ended 30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Revenue	14	**685,562**	289,580	**173,925**	95,588
Cost of revenue	14	**(465,233)**	(198,005)	**(116,644)**	(63,096)
GROSS PROFIT		**220,329**	91,575	**57,281**	32,492
Selling, general and administrative expenses	15	**(98,648)**	(68,147)	**(34,621)**	(26,146)
Other income		**18,895**	23,865	**4,886**	3,002
Loss on impairment of trading properties under development	6	**(2,288)**	-	**-**	-
OPERATING PROFIT		**138,288**	47,293	**27,546**	9,348
Finance costs		**(42,499)**	(24,836)	**(14,280)**	(9,064)
Finance income		**9,380**	4,622	**3,714**	1,709
Dividend income		**-**	469	**-**	-
PROFIT FOR THE PERIOD		**105,169**	27,548	**16,980**	1,993
Earnings per share for the period – basic and diluted (AED)	17	**0.053**	0.014	**0.008**	0.001

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

RAK Properties P.J.S.C. and its subsidiaries
Interim condensed consolidated statement of comprehensive income
For the period ended 30 September 2023 (Unaudited)

	Nine-month period ended		Three-month period ended	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
PROFIT FOR THE PERIOD	**105,169**	27,548	**16,980**	1,993
Other comprehensive income:				
Items that will not be reclassified to profit or loss in subsequent periods:				
Net change in fair value investments at fair value through other comprehensive income	-	187	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**105,169**	27,735	**16,980**	1,993

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

RAK Properties P.J.S.C. and its subsidiaries
Interim condensed consolidated statement of changes in equity
For the period ended 30 September 2023 (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	Retained earnings AED'000	Other reserves AED'000	Total equity AED'000
Balance at 1 January 2022 *(Audited)*	2,000,000	1,000,000	402,578	704,832	4,107,410
Profit for the period	-	-	27,548	-	27,548
Other comprehensive income for the period	-	-	-	187	187
Total comprehensive income for the period	-	-	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)*	**2,000,000**	**1,000,000**	**409,195**	**719,950**	**4,129,145**
Balance at 1 January 2023 *(Audited)*	2,000,000	1,000,000	409,057	713,112	4,122,169
Profit for the period	-	-	105,169	-	105,169
Total comprehensive income for the period	-	-	105,169	-	105,169
Prior period 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 22 form an integral part of these interim condensed consolidated financial statements.

RAK Properties P.J.S.C. and its subsidiaries
Interim condensed consolidated statement of cash flows
For the nine-month period ended 30 September 2023 (Unaudited)

	Notes	Nine-month period ended 30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Cash flows from operating activities			
Profit for the period		**105,169**	27,548
Adjustments for:			
Depreciation	3	**27,083**	23,934
Provision for employees' end-of-service benefits		**1,646**	1,496
Amortisation of government grant	4	**(13,658)**	(12,525)
Loss on impairment of trading properties under development	6	**2,288**	-
Dividend income		**-**	(469)
Profit on disposal of investments		**-**	(927)
Finance income		**(9,380)**	(4,622)
Finance costs		**42,499**	24,836
Cash from operations before working capital changes		**155,647**	59,271
Trading properties		**(2,804)**	(24,610)
Trading properties under development		**269,929**	142,192
Trade and other receivables		**(209,721)**	27,711
Trade and other payables		**157,490**	40,469
Inventories		**(260)**	(421)
Net cash flows from operations		**370,281**	244,612
Employees end of service indemnity paid		**(87)**	(168)
Net cash flows generated from operating activities		**370,194**	244,444
Cash flows from investing activities			
Additions to property and equipment		**(156,898)**	(185,387)
Additions to investment properties under development	5	**(15,252)**	(6,784)
Interest received		**8,430**	1,242
Dividend received		**-**	469
Proceeds from disposal of investments		**-**	45,067
Additions to investment properties		**-**	(8,657)
Net cash used in investing activities		**(163,720)**	(154,050)
Cash flows from financing activities			
Dividend paid		**(33,266)**	(4,087)
Borrowings availed		**89,842**	393,627
Borrowings repaid		**(83,742)**	(325,854)
Interest paid		**(42,499)**	(24,836)
Board of directors' remuneration paid		**-**	(6,000)
Net cash flows (used in)/generated financing activities		**(69,665)**	32,850
Net change in cash and cash equivalents		**136,809**	123,244
Cash and cash equivalents at the beginning of the period		**(1,127)**	(76,947)
Cash and cash equivalents at the end of the period	10	**135,682**	46,297

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

1 Corporate information

RAK Properties P.J.S.C. (the "Company") is a public joint stock company established under Emiree Decree No. 5 issued by the Ruler of the Emirate of Ras Al Khaimah on 16 February 2005 and commenced its operations on 2 June 2005. Subsequently, the Company was registered as a Public Joint Stock Company in accordance with the provisions of the UAE Federal Law No. (2) of 2015 (replaced with UAE Federal Law No. (32) of 2021). The Company is listed in the Abu Dhabi Securities Exchange, United Arab Emirates ("UAE"). The registered office of the Company is P.O. Box 31113, Ras Al Khaimah, UAE.

The interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2023 ("the current period") comprises the Company and its subsidiaries as reflected in note 2.1 below (collectively referred to as "the Group").

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

The interim condensed consolidated financial statements were authorised for issue on 01 November 2023 by the Board of Directors.

2 Basis of preparation

2.1 Statement of compliance

The interim condensed consolidated financial statements of the Group for the nine-month ended 30 September 2023 has been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting.*

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

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

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

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

Results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

2 Basis of preparation (continued)

2.1 Statement of compliance (continued)

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and the entities controlled by the Company (its subsidiaries) as of 30 September 2023. Control is achieved where all the following criteria are met:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiary

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

Details of the Company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Ownership %	
		30 September 2023	31 December 2022
RAK Properties International Limited	United Arab Emirates	**100%**	100%
Lagoon Marina Ship Management & Operation LLC	United Arab Emirates	**100%**	100%
RAK Properties Tanzania Limited	Tanzania	**100%**	100%
Dolphin Marina Limited	Tanzania	**100%**	100%
Intercontinental RAK Mina Al Arab Resorts & Spa L.L.C*	United Arab Emirates	**100%**	100%
RAK Properties Gayreimenkul Pazarlama Anonim Sirketi**	Turkey	**100%**	100%

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

** Incorporated on 11 May 2022.

2 Basis of preparation (continued)

2.2 Significant accounting judgments, estimates and assumptions

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

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

(i) Revenue from contracts with customers

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

Determining the timing of revenue recognition on the sale of property
The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract. The Group has concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers.

For contracts relating to the sale of property under development, the Group recognises the revenue over a period of time as the Group's performance does not create an asset with alternative use. Furthermore, the Group has an enforceable right to payment for performance completed to date. It has considered the factors that indicate that it is restricted (contractually or practically) from readily directing the property under development for another use during its development. In addition, the Group is, at all times, entitled to an amount that at least compensates it for performances completed to date. In making this determination, the Group has carefully considered the contractual terms as well as local legislations.

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

Principal versus agent considerations – services to tenants
The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor. The Group has determined that it controls the services before they are transferred to tenants, as 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 as it directly deals with tenants' complaints, and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

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

Consideration of significant financing component in a contract
For contracts involving the sale of property, the Group is entitled to receive an initial deposit. The Group concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history.

2 Basis of preparation (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

Judgements (continued)

(ii) Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include cost of design and consultancy, construction, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

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

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

(iv) Classification of properties

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

Key sources of estimation uncertainty

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Valuation of investment properties and investment properties under development

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

2 Basis of preparation (continued)

2.2 Significant accounting judgments, estimates and assumptions (continued)

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

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

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

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

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

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

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

2 Basis of preparation (continued)

2.3 New or revised standards and interpretations

New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued that is not yet effective.

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

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

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

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

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

3. Property and equipment

Additions, disposal and depreciation
During the nine-month period ended 30 September 2023, the Group has made additions amounting to AED 157,105 thousand (nine-month period ended 30 September 2022: AED 185,387 thousand).

The Group is currently constructing a hospitality project on Mina Al Arab Island. The project is expected to be completed during financial year 2023 and the carrying amount as at 30 September 2023 is AED 836,101 thousand (31 December 2022: AED 685,543 thousand).

The amount of borrowing costs capitalised during the nine-month period ended 30 September 2023 is AED 18,549 thousand (30 September 2022: AED 14,547 thousand) relating to construction of hotel properties. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 8.19% (30 September 2022: 4.56%), which is the effective interest rate of the specific borrowing.

Depreciation of property and equipment for the nine-month period ended 30 September 2023 amounted to AED 27,083 thousand (30 September 2022: AED 23,934 thousand).

4. Investment properties

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

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

The Group has accounted for the portion of land granted as deferred government grant. This deferred government grant will be released on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities. During the current period, management has recognised deferred government grant of AED 13,658 thousand (nine-month period ended 30 September 2022: AED 12,525 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 2023 to be significantly different from the fair value as at 31 December 2022. The fair valuation of investment properties was conducted by an independent external valuer as at 31 December 2022. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2023, unless there are indicators which suggest a significant change in the fair value.

5. Investment properties under development

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Balance at beginning of the period/year	**44,299**	65,197
Cost incurred during the period/year	**15,252**	7,478
Transferred to investment properties	**-**	(14,732)
Transferred to trading properties under development (note 6)	**(15,753)**	(13,644)
	43,798	44,299

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

The management does not consider the fair value of investment properties under development for the period ended 30 September 2023 to be significantly different from the fair value as at 31 December 2022. The fair valuation of investment properties under development was conducted by an independent external valuer as at 31 December 2022. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2023, unless there are indicators which suggest a significant change in the fair value.

6. Trading properties under development

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
As at January 1,	**1,696,662**	1,811,327
Cost incurred during the period/year	**111,334**	34,301
Cost of properties sold	**(183,746)**	(62,771)
Transferred from investment properties	**-**	41,953
Transferred to trading properties (note 9)	**(197,517)**	(115,934)
Transferred from investment properties under development (note 5)	**15,753**	13,644
Impairment	**(2,288)**	(25,858)
	1,440,198	1,696,662
Less: Classified as current assets	**-**	(195,190)
Classified as non-current assets	**1,440,198**	1,501,472

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Inside UAE	**1,426,383**	1,680,559
Outside UAE	**13,815**	16,103
	1,440,198	1,696,662
Less: Classified as current assets	**-**	(195,190)
Classified as non-current assets	**1,440,198**	1,501,472

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

7. Investments

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Non-current		
Unquoted equity investments	**23,663**	23,663
Unquoted real estate fund	**16,445**	16,445
	40,108	40,108
Current		
Investments at fair value through profit or loss		
Investments outside UAE		
Unquoted securities	**5,447**	5,447

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

Non-current		
Investments at fair value through other comprehensive income		
Investments within UAE		
Unquoted equity investments	**6,098**	6,098
Investments outside UAE		
Unquoted equity investments	**17,565**	17,565
Unquoted real estate funds	**16,445**	16,445
	34,010	34,010
	40,108	40,108

The details of valuation techniques and assumptions applied for the measurement of fair value of financial instruments are mentioned in note 19 of the interim condensed consolidated financial statement.

8. Trade and other receivables

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Trade receivables	**583,022**	524,550
Advances to suppliers and contractors	**94,981**	73,654
Contract assets	**224,287**	159,521
VAT refundable	**5,080**	4,179
Other receivables	**109,450**	44,245
	1,016,820	806,149
Less: Provision for expected credit loss	**(21,648)**	(21,648)
	995,172	784,501
Less: Current portion	**(572,118)**	(292,967)
Non-current portion	**423,054**	491,534

Movements in provision for expected credit loss:

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

9. Trading properties

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
At 1 January	**42,140**	26,114
Transfer to/from investment properties	**-**	(3,352)
Transfer from trading properties under development (note 6)	**197,517**	115,934
Cost of properties sold – Units	**(194,713)**	(128,183)
Cost incurred	**-**	31,627
Balance at the end of the period / year	**44,944**	42,140
Inside UAE	**30,471**	27,667
Outside UAE	**14,473**	14,473
	44,944	42,140

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

10. Bank balances and cash

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Cash in hand	**278**	288
Bank balances:		
- Current accounts	**41,613**	50,747
- Call accounts	**8,038**	2,749
- Current accounts – unclaimed dividends	**5,729**	38,995
- Term deposits	**406,000**	400,000
Balance at the end of the period / year	**461,658**	492,779

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

The effective average interest rate on deposits is 1.85% to 5.30% per annum (2022: 0.2% to 1.85% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank overdraft (note 12). Bank balances and cash are maintained in United Arab Emirates.

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

	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Bank balances and cash	**461,658**	479,635
Less: Current accounts – unclaimed dividends	**(5,729)**	(39,053)
Less: Bank overdraft	**(320,247)**	(394,285)
	135,682	46,297

11. Other reserves

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
General reserve	**636,526**	636,526
Development reserve	**303,675**	303,675
Fair value reserve	**(227,594)**	(227,594)
Other reserve	**1,354**	505
	713,961	713,112

12. Borrowings

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Term loans	**904,470**	898,370
Bank overdrafts	**320,247**	454,911
Total borrowings	**1,224,717**	1,353,281
Less: Current portion	**(417,987)**	(547,251)
Non-current portion	**806,730**	806,030

The Group has obtained an overdraft facility of AED 590,000 thousand (2022: AED 540,000 thousand) from commercial banks. Interest on bank overdrafts, which is secured by term deposit is 0.25% to 0.5% per annum over such term deposit rates, which are used as security as overdraft balance. Further, for unsecured bank overdrafts, interest is computed at a fixed rate + 3 months EIBOR.

The overdraft facilities of the Group are secured by:

- Lien over term deposit for AED 400,000 thousand held with the bank in the name of the borrower (note 10);
- To route funds 1.5 times of the net clean limit utilised under the overdraft. (31 December 2022: the net clean limit utilized was AED 56,596 thousand).

The details of the long-term bank loans, including terms of repayment, interest rate are set out in the consolidated financial statements of the Group for the year ended 31 December 2022.

The bank borrowing agreements ("Agreements") contain certain restrictive covenants including maintaining Debt to EBITDA ratio. The Group complied with the annual bank covenants as at 31 December 2022. Accordingly, the borrowings continue to be presented as non-current, based upon the terms of repayment.

Term loans are secured against the following:

- Legal mortgage of land and buildings of specific properties included in property and equipment, investment properties, investment properties under development, trading properties under development and trading properties.
- Assignment of insurance over the mortgaged properties in favour of the bank.
- Assignment of guarantees from the main contractor/construction contracts under the project duly assigned in favour of the bank.
- Assignment of revenues from the hotel projects financed by the banks.
- Assignment of revenues from sale of apartments and rental revenues from the apartments financed by the bank.
- Pledge of project account opened with the bank for receiving the project receipts from buyers.

13. Trade and other payables

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Trade payables	**73,651**	90,145
Project accruals	**70,060**	50,536
Contract liabilities	**118,369**	32,065
Unclaimed dividends	**5,729**	38,995
Advance connection charges	**112,297**	135,266
Other payables and accruals	**157,936**	100,077
	538,042	447,084
Less: Current portion	**(470,566)**	(427,398)
Non-current portion	**67,476**	19,686

Trade payables includes amounts due to a related party of AED 5,046 thousand (31 December 2022: 31,315 thousand) (note 16).

14. Revenue and cost of revenue

	Nine-month period ended		Three-month period ended	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)
Revenue				
Sale of properties	**562,643**	206,430	**137,461**	64,647
Hotel operations	**80,423**	40,090	**21,857**	15,684
Rental income	**22,122**	21,592	**7,776**	7,214
Facility management fee	**19,746**	19,218	**6,754**	6,448
Forfeiture income	**359**	1,953	**-**	1,496
Others	**269**	297	**77**	99
	685,562	289,580	**173,925**	95,588
Cost of revenue				
Cost of sale of properties	**401,964**	150,729	**93,610**	44,746
Facility management expenses	**27,937**	24,011	**11,838**	9,705
Hotel operations	**33,463**	20,471	**10,578**	8,133
Lease expense	**1,612**	2,567	**525**	433
Others	**257**	227	**93**	79
	465,233	198,005	**116,644**	63,096

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

14. Revenue and cost of revenue (Continued)

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

	Nine-month period ended		Three-month period ended	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Recognised at a point in time	**267,070**	144,279	**23,345**	46,485
Recognised over a period of time	**418,492**	145,301	**150,580**	49,103
	685,562	289,580	**173,925**	95,588

15. Selling, general and administrative expenses

	Nine-month period ended		Three-month period ended	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Staff costs	**27,793**	22,318	**11,304**	7,663
Sales and marketing expenses	**25,798**	11,960	**8,995**	5,274
Depreciation	**22,247**	19,097	**7,470**	7,348
Other expenses	**22,810**	14,772	**6,852**	5,861
	98,648	68,147	**34,621**	26,146

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:

	Nine-month period ended		Three-month period ended	
	30 September 2023 AED'000 (Unaudited)	30 September 2022 AED'000 (Unaudited)	**30 September 2023 AED'000 (Unaudited)**	30 September 2022 AED'000 (Unaudited)
Key management personnel of the Group (Director's interests):				
Sub-contracting and purchase of services	-	16,731	-	933
Compensation of key management personnel:				
Salaries and benefits	**7,932**	5,082	**3,239**	1,724
Accrual of end of service benefits	**283**	319	**23**	112
Directors' remuneration	-	6,000	-	-
	8,215	11,401	**3,262**	1,836

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

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Due to a related party - trade payables (note 13)	**5,046**	31,315

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 2023 is based on net profit of AED 105,169 thousand (30 September 2022: net profit of AED 27,548 thousand), divided by the weighted average number of shares of 2,000,000 thousand (30 September 2022: shares of 2,000,000 thousand) outstanding period.

18. Contingent liabilities and commitments

Commitments relating to the property development are as follows:

	30 September 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Approved and contracted	**467,939**	370,659

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

19. Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost
Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial information approximate their fair values.

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

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2022.

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).

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
30 September 2023 (Unaudited)				
Fair value through OCI	-	-		
Unquoted equities and funds	-	-	**40,108**	**40,108**
Financial assets carried at FVTPL	-	-	**5,447**	**5,447**
Investment properties	-	-	**1,559,016**	**1,559,016**
Investment properties under development	-	-	**43,798**	**43,798**
	-	-	**1,648,369**	**1,648,369**
31 December 2022 (Audited)				
Fair value through OCI				
Unquoted equities and funds	-	-	40,108	40,108
Financial assets carried at FVTPL	-	-	5,447	5,447
Investment properties	-	-	1,559,016	1,559,016
Investment properties under development	-	-	44,299	44,299
	-	-	1,648,870	1,648,870

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

20. Segment reporting

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

	Property sales AED'000	Property leasing AED'000	Hotel Operations AED'000	Others AED'000	Total AED'000
Nine-month period ended 30 September 2023 (Unaudited)					
Revenue	**563,002**	**22,122**	**80,423**	**20,015**	**685,562**
Gross Profit/(loss)	**161,038**	**20,510**	**46,960**	**(8,179)**	**220,329**
As at 30 September 2023 (Unaudited)					
Total assets	**2,351,480**	**1,602,815**	**1,453,716**	**962,729**	**6,370,740**
Total liabilities	**580,359**	**154,084**	**618,260**	**790,492**	**2,143,195**
Capital expenditure	**-**	**15,252**	**154,460**	**2,645**	**172,357**
Nine-month period ended 30 September 2022 (Unaudited)					
Revenue	208,383	21,592	40,090	19,515	289,580
Gross profit/(loss)	57,652	19,025	19,619	(4,721)	91,575
As at 31 December 2022 (Audited)					
Total assets	2,391,184	1,603,315	1,362,657	957,913	6,315,069
Total liabilities	544,120	154,569	552,046	942,165	2,192,900
Capital expenditure	-	36,903	234,475	3,806	275,184

21. Significant events

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

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

The Group will be subject to taxation commencing 1 January 2024. Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the nine-month period ended 30 September 2023. In addition, certain other cabinet decisions are pending as on the date of these financial statements. The Company will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published.

22. Subsequent events

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