

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

Independent Auditor's Report and Consolidated
Financial Statements
For the year ended 31 December 2024

RAK Properties P.J.S.C. and its subsidiaries
Independent Auditor's Report and Consolidated
Financial Statements

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Dear Shareholders,

The Board of Directors of RAK Properties PJSC is pleased to present the consolidated financial statements for the year ended 31st December 2024.

RAK Properties has once again delivered an exceptional year of financial growth, demonstrating the strength of our vision and the confidence of our stakeholders. Our strong balance sheet and performance reflect not only the sustained demand for high-quality developments in Ras Al Khaimah, but also our ability to anticipate market needs and create destinations that elevate the emirate's real estate landscape.

As we enter 2025, we are poised for a defining phase of expansion, led by the unveiling of the Mina masterplan — a transformative development that will establish Ras Al Khaimah's most sought-after island living community.

Coupled with our AED 5 billion development pipeline and a strong recurring revenue portfolio, we remain committed to shaping the future of the emirate with visionary projects that attract investors, enhance communities, and reinforce Ras Al Khaimah's position as a premier real estate destination.

PRINCIPAL ACTIVITIES

RAK Properties continues to invest in the development and management of real estate assets and associated activities including but not limited to sales, leasing, facility management and hospitality assets.

FINANCIAL RESULTS:

In 2024, RAK Properties achieved revenue of AED 1406.32 million (2023: AED 1,004.89 million), a net profit of AED 280.92 million (2023: AED 201.82million) with an EPS of AED 0.111 (2023 AED 0.097). Total comprehensive income for the year increased to AED 279.14 million vs AED 181.98 million in 2023.

As of 31st December 2024, the company's total assets stood at AED 8.01 billion (2023: AED 6.46 billion), reflecting a 24% increase, primarily due to investments in land, hotels and residential projects. These investments align with RAK Properties' medium and long term strategy of recurring revenue generation, capital appreciation, and maintaining a robust balance sheet.

OPERATIONAL ACHIEVEMENTS

Throughout 2024, RAK Properties continued its investments in residential and hospitality developments, achieving significant milestones across key projects.

Residential Developments

Bay Residence Phase 1, Hayat Island, Mina, Ras Al Khaimah – Beach front residential buildings. Construction of these 2 towers is progressing as per the development plan. All 324 units within the two towers have been fully sold out, with handover scheduled for the first half of 2025.

Bay Residence Phase 2, Hayat Island, Mina, Ras Al Khaimah- Beach front residential buildings. All 324 units within the 2 towers located next to Intercontinental Hotel Ras Al Khaimah have been successfully sold. Handovers are scheduled for the second half of 2025.

Gateway Residence 2, Hayat Island, Mina, Ras Al Khaimah – Residential building. Construction of this 8-storey tower at the entrance of Hayat Island is progressing well as planned. Handover is scheduled for the first quarter of 2025. All 146 apartments in this tower have been fully sold out.

Marbella Villa Phase 2, Hayat Island, Mina, Ras Al Khaimah – Luxury Villas and Townhouses. Construction of these additional 89 villas and townhouses has been completed, and units have been handed over successfully.

Bayviews, Hayat Island, Mina, Ras Al Khaimah – Residential Buildings. Construction of these 2 towers commenced at the end of 2023. All 344 apartments within the 2 towers sold out within a few hours of the launch.

Porto Playa, Hayat Island, Mina, Ras Al Khaimah – Waterfront Residential Building. Ellington Properties, in collaboration with RAK Properties, has commenced construction on Porto Playa. This groundbreaking marks Ellington's strategic expansion into Ras Al Khaimah.

Cape Hayat, Hayat Island, Mina, Ras Al Khaimah – Residential Buildings. The sale of these 4 towers consisting of 678 apartments was launched last year. 96% of the project was sold as of Q4 2024. Project construction of this 4 Residential Tower commenced at the end of 2023 and is on track.

Quattro Del Mar, Hayat Island, Mina, Ras Al Khaimah – Residential Buildings. The new project, featuring an integrated lifestyle hub with entertainment and world-class facilities, was launched at the beginning of this year. Piling has commenced for this project, with planned completion by the end 2026. Main contractor Fujiseng appointed.

Granada II, Mina, Ras Al Khaimah – Townhouses. Phase 2 of Granada, consisting of 80 townhouses, was launched at the end of Q2 2024. 86% of the launched inventory has been sold as of Q4 2024. The construction of the Granada extension project is progressing, with planned completion in Q1 2026.

Edge, Raha Island, Mina, Ras Al Khaimah – Residential Buildings. A yacht inspired waterfront residential tower comprising 237 units with a mix of studios, one-bedroom and two-bedroom apartments. Since its launch at the end of Q2 2024, 80% of the launched inventory has been sold as of Q4 2024.

NB Collection, Hayat Island, Mina, Ras Al Khaimah – Exclusive Beach-front Villas. 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. This collection consists of 11 high-end villas, with completion date expected at the end of 2026.

Hospitality Developments

The InterContinental Ras Al Khaimah Mina Al Arab Resort & SPA, a notable 5-Star luxury hospitality asset, has been operating successfully since February 2022, delivering strong revenues. In 2023, as the hotel completed its first full year of operation, it achieved higher occupancy and financial performance compared to its competitive set.

Anantara Mina Al Arab Resort, Ras Al Khaimah, the second 5 Star luxury hospitality asset with 174 keys opened its door subsequent to financial year closing and started operation from 02 January 2024. Results to date are ahead of targets.

PLANNED PROJECTS

- RAK Properties partners with Nikki Beach Global to open first branded resort and beach club in Mina, Ras Al Khaimah.
- 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 as a leading global destination for luxury island living within a vibrant community hub.
- RAK Properties has partnered with A.R.M Holding and HIVE to launch a coliving and coworking development in the heart of Mina, catering to the evolving needs of young modern professionals and entrepreneurs.
- RAK Properties launched Mirasol, a new resort style living concept, and a fresh perspective on luxury living. Featuring a range of studios, apartments and duplexes and scheduled for handover in the first half of 2028.
- RAK Properties has partnered with Four Seasons to introduce a luxury resort and private residences in Mina. Designed as a sanctuary of sophistication and natural beauty with a wide array of amenities, the 150 rooms, suites and signature villas, alongside approximately 130 Private Residences.

OUTLOOK FOR 2025

RAK Properties is building on its strong 2024 performance with an ambitious 2025 agenda, focusing on key projects, strategic partnerships, and landbank expansion.

We remain committed to strategic growth by investing in high-potential asset classes and in human capital to address ongoing business challenges and capitalize on opportunities.

With the support of all stakeholders RAK Properties has developed a robust budget for 2025, allocating substantial funds for development, predominantly in Mina. The focus is on maximizing asset value and increase revenue generation, as well as enhancing brand appeal for RAK Properties PJSC and Mina among target customers and investors.

BOARD OF DIRECTORS

Abdul Aziz Abdullah Al Zaabi	- Chairman
Mohamed Musabbeh Al Nuaimi	- Deputy Chairman
Sheikh Ahmed Omar Al Qassimi	- Director
Abdallah Rashed Alabdouli	- Director
Mohamed Ghobash Al Marri	- Director
Yasser Abdulla Al Ahmad	- Director
Mouza Mohamed Majed Alzaabi	- Director

AUDITORS

The consolidated financial statements for the year ended 31st December 2024 have been audited by M/s. Grant Thornton. They remain eligible for re-appointment and have expressed their willingness to be re-appointed.

On behalf of the Board,



Abdul Aziz Abdullah Al Zaabi
Chairman

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of RAK Properties P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RAK Properties P.J.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statements of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Group as at 31 December 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with the requirements of IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of RAK Properties P.J.S.C.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of investment properties

As at 31 December 2024, the Group owns a portfolio of investment properties amounting to AED 1,577,216 thousand (2023: AED 1,560,806 thousand) which comprise of commercial properties, residential properties and various parcels of land. The Group recorded net fair value gain in the consolidated statement of profit or loss amounting to AED 65,899 thousand during the year ended 31 December 2024 (2023: AED 28,646 thousand) (Note 6). Determining the value of these properties is a significant judgement area and is underpinned by a number of assumptions.

These investment properties are stated at their fair values as determined by a professionally qualified independent real estate valuers engaged by the Group (the “valuers”). The valuation process involves significant judgements in determining and estimating the underlying assumptions to be applied. The valuation process involves significant judgements in determining and estimating the underlying assumptions to be applied. Assessment of the fair value requires management to make significant estimates and judgements. This coupled with the existence of market volatility, warrants specific audit focus in this area as any error in determining the fair value of investment properties could have a material impact on the carrying value of the Group’s investment properties in the consolidated financial statements.

Our audit procedures, among others, included:

- We obtained the valuation assessment report prepared by external valuer;
- We have evaluated the qualifications and competence of the management appointed valuer and read the terms of the engagement of the valuers with the Group, to determine whether there were any matters that might have affected their objectivity or limited the scope of their work;
- We assessed whether the valuation methods used are in accordance with the established standards for valuation of the investment properties and determining the fair value;
- On sample basis, we performed audit procedures to assess whether the source data used for determining the fair value are reasonable by comparing it to the underlying supporting information;
- On sample basis, we assessed valuation methodologies used in the valuation process and challenged assumptions for key assumptions and critical judgements used in the valuation process by comparing these with market data, or other publicly available information. We also held discussions with the Group’s management to assess the appropriateness of methodology adopted and reasonableness of the key valuation assumptions used;
- On a sample basis, for those properties valued using the discount cash flow method, we have performed sensitivity analysis on the significant assumptions to evaluate the extent of the impact of changes in the key assumptions to the conclusions reached;
- We have assessed if there are any significant triggers during the audit period that would have a significant impact on the value of the properties; and
- We assessed the adequacy and sufficiency of the associated disclosures in the consolidated financial statements are in accordance with the requirements of IFRS Accounting Standards.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of RAK Properties P.J.S.C.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

ii) Assessment of net realisable value of trading properties and trading properties under development

As at 31 December 2024, the Group has trading properties amounting to AED 38,705 thousand (2023: AED 38,552 thousand) and trading properties under development amounting to AED 2,457,989 thousand (2023: AED 1,341,869 thousand) (Notes 7 and 11). Determining the value of these properties is a significant judgement area and is underpinned by a number of assumptions (Note 4.28)

Trading properties and trading properties under development are stated at the lower of their costs and their net realisable values. The Group engaged a professionally qualified independent real estate valuer to assess the net realisable value of a substantial portion of these properties. The valuation process involves significant judgements in determining and estimating the underlying assumptions to be applied. Assessment of net realisable value requires management to make significant estimates and judgements. This coupled with the existence of market volatility, warrants specific audit focus in this area as any error in determining the net realisable value could have a material impact on the carrying value of the Group's trading properties and trading properties under development in the consolidated financial statements

Our audit procedures, among others, included:

- On a sample basis, for additions to trading properties and trading properties under development, we have verified the underlying supporting documents;
- We obtained the valuation assessment report prepared by the independent external real estate valuers;
- We have evaluated the qualifications and competence of the management appointed external valuer and read the terms of the engagement of the external valuers with the Group, to determine whether there were any matters that might have affected their objectivity or limited the scope of their work;
- On sample basis, we assessed valuation methodologies used in the valuation process and challenged assumptions for key assumptions and critical judgements used in the valuation process by comparing these with market data, or other publicly available information. We also held discussions with the Group's management to assess the appropriateness of methodology adopted and reasonableness of the key valuation assumptions used;
- On sample basis, we performed audit procedures to assess whether the source data used for determining the net realizable value are reasonable by comparing it to the underlying supporting information;
- On a sample basis, for those properties valued using the discount cash flow method, we have performed sensitivity analysis on the significant assumptions to evaluate the extent of the impact of changes in the key assumptions to the conclusions reached;
- We have assessed if there are any significant triggers during the audit period that would have a significant impact on the value of the properties;
- On sample basis, we tested the net realisable value by comparing property cost to the estimated selling prices and assessed the appropriateness of the carrying value of such properties and resultant write-down if any, and
- We assessed the adequacy and sufficiency of the associated disclosures in the consolidated financial statements are in accordance with the requirements of IFRS Accounting Standards



INDEPENDENT AUDITOR'S REPORT To the Shareholders of RAK Properties P.J.S.C.

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

iii) Revenue recognition from sale of trading properties under development

The Group recognizes revenue on sale of trading properties under development in accordance with IFRS 15 “Revenue from Contracts with Customers”

The Group recognises revenue on sale of trading properties under development over time based on the sale and purchase agreements entered into with its customers. Revenue recognition on sale of trading properties under development was considered a key audit matter as the Group estimates total development and infrastructure costs required to meet performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of the reporting period.

Our audit procedures, among others, included:

- We assessed the appropriateness of the revenue recognition accounting policy and its compliance with the requirements of IFRS Accounting Standards.
- We obtained an understanding of the process implemented by the Group for revenue recognition and measurement in respect of the sale of properties;
- We inspected a sample of contracts with customers for sale of properties and assessed management's identification of performance obligations and their determination of whether revenue should be recognised over a period of time or at a point in time in accordance with the requirements of IFRS 15, “Revenue from Contracts with Customers” by making reference to the terms and conditions specified in the contracts;
- For sale of properties where it was determined by the Group's management to recognise revenue over a period of time, we assessed the contractual arrangements with the customers and the reasonableness of the costs estimated to complete the underlying project development;
- On a sample basis, we tested that the revenue as per the contract with customer and the costs incurred is per the progress of the project development based on the approved payment certification/invoices. We checked the percentage of completion of the project by comparing the costs incurred to the estimated project development costs; and
- We assessed the disclosures made in the consolidated financial statements is in accordance with the requirements of IFRS Accounting Standards.

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises information included in the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of RAK Properties P.J.S.C.

Report on the Audit of Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 and Articles of Association, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT
To the Shareholders of RAK Properties P.J.S.C.**

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- iii) The Group has maintained proper books of accounts in accordance with established accounting principles;
- iv) The financial information included in the Board of Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) Note 8 to the consolidated financial statements discloses investment in securities by the Group during the financial year ended 31 December 2024;
- vi) Notes 18 and 25 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of RAK Properties P.J.S.C.

Report on other Legal and Regulatory Requirements (continued)

- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2024; and
- viii) Note 21 to these consolidated financial statements discloses social contributions during the financial year ended 31 December 2024.

Grant Thornton
GRANT THORNTON UAE

Farouk Mohamed
Registration No: 86
Sharjah, United Arab Emirates



5 February 2025

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

Consolidated statement of financial position As at 31 December 2024

	Notes	2024 AED '000	2023 AED '000
ASSETS			
Non-current assets			
Property and equipment	5	1,822,861	1,868,205
Investment properties	6	1,577,216	1,560,806
Trading properties under development	7	2,403,580	1,341,869
Investments at fair value through other comprehensive income	8	18,176	20,270
Investment in a joint venture	9	77,045	68,069
Trade and other receivables	10	559,866	548,900
Total non-current assets		6,458,744	5,408,119
Current assets			
Trading properties under development	7	54,409	-
Inventories		2,410	1,618
Investments at fair value through profit or loss	8	-	3,249
Trading properties	11	38,705	38,552
Trade and other receivables	10	995,131	549,667
Bank balances and cash	12	462,590	457,705
Total current assets		1,553,245	1,050,791
TOTAL ASSETS		8,011,989	6,458,910
EQUITY AND LIABILITIES			
Equity			
Share capital	13	3,000,000	2,000,000
Share premium	13	114,120	-
Statutory reserve	14	1,028,092	1,000,000
Treasury shares	13	(22,615)	-
Retained earnings		684,829	589,778
Other reserves	15	722,571	714,577
Total equity		5,526,997	4,304,355
Non-current liabilities			
Employees' end-of-service benefits	16	8,003	5,635
Bank borrowings	17	742,175	781,042
Deferred government grants	6	347,538	369,662
Trade payable, accruals and other liabilities	18	359,912	154,846
Total non-current liabilities		1,457,628	1,311,185
Current liabilities			
Bank borrowings	17	519,884	452,067
Trade payable, accruals and other liabilities	18	507,480	391,303
Total current liabilities		1,027,364	843,370
Total liabilities		2,484,992	2,154,555
TOTAL EQUITY AND LIABILITIES		8,011,989	6,458,910

These consolidated financial statements for the year ended 31 December 2024, were approved by the Board of Directors and authorised for issuance on 5 February 2025 and signed on their behalf by:

Abdul Aziz Abdullah Al Zaabi
Chairman

Sameh Muhtadi
Chief Executive Officer

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

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

Consolidated statement of profit or loss
For the year ended 31 December 2024

	Notes	2024 AED '000	2023 AED '000
Revenue	19	1,406,318	1,004,891
Cost of revenue	20	(863,398)	(639,668)
GROSS PROFIT		542,920	365,223
Selling, marketing and administrative expenses	21	(249,232)	(139,380)
Other income		7,908	8,563
Net change in fair value of investment properties	6	65,899	28,646
Share of profit in joint venture	9	8,976	69
Loss on impairment of trading properties under development	7	-	(2,998)
Provision for expected credit losses	10	(3,091)	(3,588)
OPERATING PROFIT		373,380	256,535
Finance costs	22	(89,580)	(66,129)
Finance income	22	27,605	13,609
Net change in fair value of investments through profit or loss	8	(3,249)	(2,198)
PROFIT FOR THE YEAR BEFORE TAX		308,156	201,817
Income tax expense	23	(27,240)	-
NET PROFIT FOR THE YEAR AFTER TAX		280,916	201,817
Earnings per share for the year – basic and diluted (AED)	24	0.111	0.097

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income
For the year ended 31 December 2024

	Note	2024 AED '000	2023 AED '000
NET PROFIT FOR THE YEAR AFTER TAX		280,916	201,817
Other comprehensive loss:			
<i>Items that will not be reclassified to profit or loss in subsequent years:</i>			
Net change in fair value of investments at fair value through other comprehensive income	8	(1,779)	(19,838)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		279,137	181,979

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

**Consolidated statement of changes in equity
For the year ended 31 December 2024**

	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	2,000,000	-	1,000,000	-	409,057	713,112	4,122,169
Profit for the year	-	-	-	-	201,817	-	201,817
Other comprehensive loss for the year	-	-	-	-	-	(19,838)	(19,838)
Total comprehensive income for the year	-	-	-	-	201,817	(19,838)	181,979
Transfer to reserves	-	-	-	-	207	-	207
Transfer to other reserves (Note 15)	-	-	-	-	(21,303)	21,303	-
Balance at 31 December 2023	2,000,000	-	1,000,000	-	589,778	714,577	4,304,355
Profit for the year after tax	-	-	-	-	280,916	-	280,916
Other comprehensive loss for the year	-	-	-	-	-	(1,779)	(1,779)
Total comprehensive income for the year	-	-	-	-	280,916	(1,779)	279,137
Issuance of stock dividend (Note 13)	80,000	-	-	-	(80,000)	-	-
Dividends (Note 13)	-	-	-	-	(60,000)	-	(60,000)
Additional capital issued (Note 13)	920,000	114,120	-	-	-	-	1,034,120
Treasury shares (Note 13)	-	-	-	(22,615)	-	-	(22,615)
Board of Directors' remuneration (Note 25)	-	-	-	-	(8,000)	-	(8,000)
Transfer to retained earnings on disposal of investments designated at FVOCI	-	-	-	-	(5,984)	5,984	-
Transfer to statutory reserve (Note 14)	-	-	28,092	-	(28,092)	-	-
Transfer to other reserves (Note 15)	-	-	-	-	(3,789)	3,789	-
Balance at 31 December 2024	3,000,000	114,120	1,028,092	(22,615)	684,829	722,571	5,526,997

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows
For the year ended 31 December 2024

	Notes	2024 AED '000	2023 AED '000
Cash flows from operating activities			
Profit before tax for the year		308,156	201,817
<i>Adjustments for:</i>			
Depreciation	5	71,758	36,201
Provision for employees' end-of-service benefits	16	3,206	1,842
Dividend income	8	(296)	-
Net change in fair value of investments at fair value through profit or loss	8	3,249	2,198
Net change in fair value of investment properties	6	(65,899)	(28,646)
Write down of trading properties under development	7	-	2,288
Write down of trading properties	11	-	710
Expected credit losses on trade, contract and other receivables	10	3,091	3,588
Share of joint venture income	9	(8,976)	(69)
Amortisation of government grant	6	(22,124)	(18,823)
Gain on disposal of property and equipment		(90)	
Finance income		(27,605)	(13,609)
Finance costs	22	89,580	66,129
Cash from operations before working capital changes		354,050	253,626
Trading properties		19,983	(2,456)
Trading properties under development		34,335	345,659
Trade and other receivables		(465,632)	(325,030)
Trade payable, accruals and other liabilities		300,236	165,597
Inventories		(792)	(237)
Net cash flows from operations		242,180	437,159
Employees end of service benefits paid	16	(838)	(258)
Net cash flows generated from operating activities		241,342	436,901
Cash flows from investing activities			
Additions to property and equipment	5	(74,540)	(215,335)
Additions to investment properties		(20,015)	(24,791)
Interest received		14,875	10,764
Dividend received		296	-
Proceed from sale of property and equipment		90	-
Proceeds from disposal of investment		315	-
Net cash used in investing activities		(78,979)	(229,362)
Cash flows from financing activities			
Dividend paid	27	(60,000)	(33,266)
Acquisition of treasury shares (net)		(22,615)	-
Bank borrowings availed	17	203,689	96,247
Bank borrowings repaid	17	(165,752)	(111,467)
Interest paid		(95,813)	(55,909)
Board of directors' remuneration paid	25	(8,000)	-
Net cash flows used in financing activities		(148,491)	(104,395)
Net change in cash and cash equivalents		13,872	103,144
Cash and cash equivalents at the beginning of the year		102,017	(1,127)
Cash and cash equivalents at the end of the year	12	115,889	102,017

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

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

Notes to the consolidated financial statements For the year ended 31 December 2024

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 consolidated financial statements as at and for the year ended 31 December 2024 comprises the Company and its subsidiaries (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 consolidated financial statements were authorised for issue on 05 February 2025.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), applicable provision of the Articles of Association of the Company and UAE Federal Decree Law No. 32 of 2021.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and investments, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(c) Functional and presentational currency

These consolidated financial statements are prepared in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its Subsidiaries. The Subsidiaries of the Company are as follows:

Subsidiary	Country of incorporation	Ownership %	
		31 December 2024	31 December 2023
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%
Anantara Mina Al Arab Ras Al Khaimah Resort LLC	United Arab Emirates	100%	100%

Anantara Mina Al Arab Ras Al Khaimah Resort LLC was incorporated on 13 June 2023 and commenced commercial operations from 2 January 2024.

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

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

2 Basis of preparation (continued)

(d) Basis of consolidation (continued)

Subsidiaries

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the Investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and 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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are adjusted and eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

(e) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in consolidated statement of comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3 New or Revised Standards or Interpretations

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the 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 new standards and interpretations effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued that is not yet effective.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

These amendments did not have a significant impact on these 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

Other standards, amendments and interpretations that are not yet effective and have not been adopted early by the Company include:

- Lack of Exchangeability (Amendments to IAS 21)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- IFRS 18 'Presentation and Disclosure in Financial Statements'
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

The IASB issued IFRS 18, 'Presentation and Disclosure in the Financial Statements' which will supersede IAS 1 'Presentation of Financial Statements' and applies to annual reporting periods beginning on or after January 1, 2027. IFRS 18 introduces new presentation and disclosure requirements of additional totals in the statement of profit or loss, a new note which discloses management-defined performance measures and enhancements to the requirements for aggregation and disaggregation

IFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, but it might change what is reported as its 'operating profit or loss'. Management is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of comprehensive income, the statements of cash flows and the additional disclosures required.

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

4 Material Accounting Policies

4.1 Overall Consideration

The preparation of the Group's consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. 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.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.2 Revenue Recognition

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15 Revenue from contracts with customers:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

(a) Revenues from the sale of properties

The Group enters into contracts with customers to sell property that are either completed or under development.

- *Completed property*

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when the title deed is transferred.

- *Under development property*

For contracts relating to the sale of property under development, the Group is responsible for the overall management of the project and accounts for such contracts as a single performance obligation. The Group has determined that, for sale of under development property, based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts.

For contracts that meet the over-time revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation relative to the total expected inputs to the completion of the property. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors and the cost of meeting other contractual obligations to the customers.

Revenue from under development property is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the development obligation at the reporting date. Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.2 Revenue Recognition (continued)

(a) Revenues from the sale of properties (continued)

- Other consideration related to the sale of property

In determining the transaction price, the Group considers the effects of the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

When a significant financing component is identified, the Group is required to adjust the promised amount of consideration for the effects of the time value of money. This is because the Group is required to recognise revenue at an amount that reflects the price that the customer would have paid for the promised goods or services if the customer had paid in cash for those goods or services when (or as) they transfer to the customer.

For sale of property, the Group is required to incorporate the element of significant financing component in the trade and contract receivables recorded by the Group as the transaction implicitly gives a financing facility to the customer to pay the amount in future.

The Group usually repossesses properties from customers upon a default by them in fulfilling their contractual obligations. Such properties are measured at their fair value less cost to sell at the repossession date. The difference between such fair value less cost to sell the properties repossessed and the carrying amount of the trade receivables and contract assets is recognised in the consolidated statement of comprehensive income, as follows: (a) if higher, as revenue; and (b) if lower, as an impairment loss against the trade receivables and contract assets.

(b) Revenue recognition for hotel operations

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

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

(i) Room revenue

Rooms revenue represents revenue generated from the accommodation provided to its customers in respect to rooms' accommodation. Performance obligation is satisfied, and revenue is recognised over the passage of time based on period of stay of customers. Based on the assessment performed by the Group's management, the customers do not have right of returns, there are no variable considerations, warranty obligations or material loyalty points. Generally, advances are received from customers which are disclosed under contract liabilities. Using practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(ii) Revenue from food and beverage, other departments, and service charge

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

(c) Facility management income

Revenue from services such as property management and facilities management is recognised in the period in which the services are rendered over the period of time.

(d) Leasing income

Leasing income from operating leases is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total lease income, over the term of the lease.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.2 Revenue Recognition (continued)

(e) *Forfeiture income*

The Group proceeds to terminate contracts and recognise forfeiture income as other income in the consolidated statement of profit or loss when, in cases a customer does not fulfil the contractual payment terms and the contract of sale is terminated.

4.3 Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under the section, "Financial Instruments – initial recognition and subsequent measurement".

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract

Cost to obtain a contract

The Group pays sales commission to its employees for contracts that they obtain to sell certain units of property and capitalises the incremental costs of obtaining a contract that meet the criteria in IFRS 15. These costs are recognised in the consolidated statement of profit or loss coinciding with the revenue recognition for such property.

4.4 Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

4.5 Finance Income

Finance income mainly comprises interest income on fixed deposits. Interest income is recognised in the consolidated statement of profit or loss as it accrues, using the effective interest rate method (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipt through the expected life of the financial asset or liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

4.6 Dividend income

Dividend income is recognised in the consolidated statement of profit or loss on the date on which the Group's right to receive payment is established.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.7 Property and equipment including capital work-in-progress

Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in the consolidated statement of profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. When significant parts of equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Derecognition

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

Depreciation

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful life of each part of an item of property and equipment. Land is not depreciated. The estimated useful lives for are as follows:

Buildings	20-40 years
Hotel equipment	15 years
Furniture and fixtures	4 years
Computer and office equipment	4 years
Motor vehicles	4 years

Depreciation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (refer accounting policy on impairment), if any, until the construction is complete. Upon completion of construction, the cost of such asset together with the cost directly attributable to construction are transferred to the respective class of assets. No depreciation is charged on capital work-in-progress.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.8 Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are classified as capital work in progress within investment properties.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using fair value model. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of profit or loss. Where the fair value of investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Transfer from trading properties to investment properties

Certain trading properties are transferred to investment properties when there is a change in the use of the properties. Trading properties are transferred to investment properties at carrying value. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties.

Transfer from investment properties to trading properties

Properties are transferred from investment properties to trading properties when there is a change in use of the property. Such transfers are made at the carrying value of the properties at the date of transfer. Fair value at the date of reclassification becomes the cost of properties transferred for subsequent accounting purposes. Subsequent to the transfer, such properties are valued at lower of cost or net realisable value in accordance with the measurement policy for trading properties.

Transfer from investment properties to owner-occupied properties

If an investment property becomes owner-occupied property, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Transfer from owner-occupied property to investment properties

When the use of a property changes from owner-occupied to investment property, the property is transferred to investment properties at carrying value. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties

4.9 Trading properties and trading properties under development

Land and buildings identified as trading properties based on underlying masterplan, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of trading properties under development comprises construction costs and other related direct costs. Net realisable value is the estimated selling price in the ordinary course of the business based on market prices at the reporting date, less cost of completion and estimated cost of sale.

The amount of any write down of trading properties is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down arising from an increase in net realisable value is recognised in the consolidated statement of profit or loss in the period in which the increase occurs but only to the extent that the carrying value does not exceed the actual cost.

Cost of trading properties recognised in the consolidated income statement on sale is determined on the basis of specific identification of their individual costs. The classification of trading properties under development as current and non-current depends upon the expected date of their completion.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.10 Financial Instruments

(i) Classification and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). The classification of financial assets under IFRS 9 is generally based on the Group's business model in which a financial asset is managed and its contractual cash flow characteristics. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are; solely; payments of principal and interest on the outstanding principal amount.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Group determines the classification of its financial liabilities at the initial recognition.

Trade payable, accruals and other liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and borrowings

Term loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.10 Financial Instruments (continued)

(ii) Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets and financial liabilities.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Equity instruments at fair value through other comprehensive income

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in consolidated statement of profit or loss.

Financial liabilities

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.10 Financial Instruments (continued)

(iii) *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group measures impairment allowances using the simplified approach. Under this approach, the Group categorises its financial assets under a three stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the financial assets that are not measured at FVPL or FVOCI. Financial assets migrate through three stages based on the change in credit risk since initial recognition.

The three-stage ECL model is based on the change in credit quality of financial assets since initial recognition.

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.
- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered as credit impaired, an amount equal to the default probability-weighted lifetime ECL will be recorded.
- Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments are classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECL

The Group employs statistical models for ECL calculations.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.10 Financial Instruments (continued)

(iv) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

The Group derecognises a financial liability when, and only when, its contractual obligations are discharged, cancelled, or they expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of profit or loss.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position if there is a legally enforceable right to set off the amounts and there is an intention to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.11 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results of the operating segments are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment, costs incurred for purchase of investment properties or redevelopment of existing investment properties and costs incurred towards development of properties which are either intended to be sold or transferred to investment properties.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.12 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties, inventories, contract assets, trading properties and trading properties under development) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU is exceeds its recoverable amount.

Impairment losses are recognised in consolidated statement of profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.13 Equity and reserves

Share Capital

Share capital represents the nominal value of shares that have been issued.

Share Premium

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Reserves

Reserves include statutory reserve, general reserve, fair value reserve and reserve for replacement of furniture, fixture and equipment. Refer to Notes 14 and 15 for full disclosures about the nature of each reserve.

Treasury shares

Treasury shares are equity instruments that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in consolidated statement of profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium. Such treasury shares may be acquired and held by the entity or by a third party on behalf of the Company. Consideration paid or received is recognised directly in equity.

Retained earnings and dividends

Retained earnings include all current year profit and prior periods retained earnings, net of any dividends distributed.

Dividend Dividend distributed and paid are recorded when these dividends are approved in general meeting prior to the reporting date. Dividend distribution to the shareholders is recognised as a liability in the consolidated statement of financial position in the period in which the dividends are approved by the shareholders.

All transactions with shareholders are recorded separately within the consolidated statement of changes in equity.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.14 Government grants

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. They are then recognised in the consolidated statement of profit or loss within cost of revenue on a systematic basis upon the fulfilment of conditions stipulated by the Government.

Such grants are generally received with the implicit condition that they are to be utilised for development, and accordingly, the fulfilment of the condition is estimated based on the progress of development activities.

4.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the year in which they are incurred.

4.16 Provisions and accruals

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.17 Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% or 11% depending on the employees start date and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent a cash refund or a reduction in future payments is available.

Provision for employees' end of service benefits

Provision is made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to leave passage is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.17 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Directors' remuneration

Pursuant to Article 169 of the Federal Law No. 32 of 2021 and in accordance with Article of association of the Company, the Directors shall be entitled for remuneration, which shall not exceed 10% of the net profit after deducting depreciation and the reserves.

4.18 Foreign currency

Transactions in foreign currency are translated into the respective functional currencies of the Group companies at the exchange rates at the dates of transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Foreign currency differences are generally recognised in the consolidated statement of profit or loss.

Foreign operations

The results and financial position of all the foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) Income and expenses for each statement of profit or loss are translated at average exchange rates; and
- (iii) All resulting exchange differences are recognised as a separate component of equity.

In 2022, Turkey became a hyperinflationary economy. Management performed a detailed assessment of the impact of applying IAS 29 Financial Reporting in Hyperinflationary Economies. Based on the assessment management determined that the impact of applying IAS 29 is not material to consolidated financial statements of the Group.

4.19 Fair value measurement

The Group measures certain financial instruments such as financial assets (investments) at FVPL, and certain non-financial assets such as investment properties at fair value at each reporting date. 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.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.19 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has an established control framework with respect to the measurement of fair values.

This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

External valuers are involved for valuation of significant assets, such as properties. If third party is used to measure fair values, the management team discusses with the valuer the valuation techniques and inputs to use and assesses the evidence obtained from the third party to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

4.20 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

4.21 Inventories

Inventories are stated at the lower of cost and net realisable value with due allowance for any obsolete or slow-moving items. Costs are those expenses incurred in bringing each product to its present location and condition on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.22 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.23 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the consolidated statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.24 Taxation

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets for unused tax losses, unused tax credits and deductible temporary differences are only recognised to the extent that it is probable that future taxable profits will be available against which they can be used and are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Once changes to the tax laws in any jurisdiction in which the Group operates are enacted or substantively enacted, the Group may be subject to the top-up tax.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.25 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no substantive rights at the reporting date to defer settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

4.26 Significant accounting judgements, assumptions and estimates

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures. 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.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

4.27 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 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 under development

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.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.27 Judgements (continued)

(i) Revenue from contracts with customers (continued)

Determining the timing of revenue recognition on the sale of property under development (continued)

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.

Consideration of significant financing component in a contract

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

Cost to complete projects and project cost accruals

The Group estimates the cost to complete the projects and project cost accruals in order to determine the cost attributable to revenue being recognised. These estimates include the value attributable to work done till date, cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

(ii) Going Concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, these consolidated financial statements have been prepared on the going concern basis.

(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 judgements. Judgement 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 judgement consistently in accordance with the definitions of investment property, property and equipment and trading property. In making its judgement, 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.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.27 Judgements (continued)

(v) Component of cash and cash equivalents

The cash and cash equivalents shown in the statement of cash flows are stated net of bank overdrafts that are repayable on demand as these facilities are considered to form an integral part of the treasury management of the Group.

4.28 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 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

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 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. Refer Note 6 for the fair valuation of investment properties.

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 consolidated statements of 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 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.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4 Material Accounting Policies (continued)

4.28 Key sources of estimation uncertainty (continued)

Impairment of property and equipment and capital work in progress

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 consolidated statement of 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. Refer to Note 28 for estimates applied and amount involved.

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2024

5 Property and equipment

	Plots of land AED '000	Buildings AED '000	Hotel equipment AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor vehicles AED '000	Capital work -in-progress AED '000	Total AED '000
Cost								
As at 1 January 2023	561,598	684,978	37,829	32,735	9,989	1,365	437,450	1,765,944
Additions	-	5,671	-	1,370	328	444	207,522	215,335
Transfers from investment properties (Note 6)	27,406	12,669	-	-	-	-	259	40,334
At 31 December 2023	589,004	703,318	37,829	34,105	10,317	1,809	645,231	2,021,613
Additions	-	11,384	-	8,391	2,160	-	52,605	74,540
Transferred on completion	-	606,725	42,739	36,740	-	-	(686,204)	-
Transfer to trading properties under development (Note 7)	(48,126)	-	-	-	-	-	(48,126)	-
Disposals	-	-	-	-	-	(605)	-	(605)
At 31 December 2024	540,878	1,321,427	80,568	79,236	12,477	1,204	11,632	2,047,422
Accumulated depreciation								
As at 1 January 2023	-	94,726	2,233	10,732	8,665	851	-	117,207
Charge for the year	-	25,710	2,522	7,221	585	163	-	36,201
At 31 December 2023	-	120,436	4,755	17,953	9,250	1,014	-	153,408
Charge for the year	-	45,343	5,364	20,052	749	250	-	71,758
Disposals	-	-	-	-	-	(605)	-	(605)
At 31 December 2024	-	165,779	10,119	38,005	9,999	659	-	224,561
Net book value								
As at 31 December 2024	540,878	1,155,648	70,449	41,231	2,478	545	11,632	1,822,861
As at 31 December 2023	589,004	582,882	33,074	16,152	1,067	795	645,231	1,868,205

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

5 Property and equipment (continued)

The depreciation charge has been allocated as follows:

	2024 AED '000	2023 AED '000
Cost of revenue (Note 20)	6,453	6,448
Selling, marketing and administrative expenses (Note 21)	65,305	29,753
At 31 December	71,758	36,201

Property and equipment mainly comprise land and buildings that are located in the United Arab Emirates.

The borrowing cost capitalized during the current year amounted to AED 331 thousand (2023: an amount of AED 26,525 thousand of borrowing costs capitalised related to construction of hotel properties calculated using an average capitalisation rate of 7.5% (2023: 8.16%) per annum.

Capital work-in-progress as at 31 December 2023, mainly represented expenditure incurred on the construction of a hotel property. The Group commenced operations of the hotel property 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. As at 31 December 2024, the capital work-in-progress represents expenditure incurred on the construction of another hotel property project.

Property and equipment pertaining to hotel properties with net book value of AED 1,521,932 thousand as at 31 December 2024 (2023: AED 1,563,921 thousand) and certain other items of property and equipment are mortgaged against bank borrowings (Note 17).

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

6 Investment properties

	Plots of land AED '000	Buildings AED '000	Capital work -in- progress AED '000	Total AED '000
At 1 January 2023	876,465	682,551	44,299	1,603,315
Cost incurred	-	-	25,259	25,259
Transfer from trading properties (Note 11)	-	6,044	-	6,044
Transfer to trading properties under development (Note 7)	-	-	(28,532)	(28,532)
Transfer to property and equipment (Note 5)	(27,406)	-	(12,928)	(40,334)
Transfer to investment in a joint venture (Note 9)	(33,592)	-	-	(33,592)
Change in fair value	11,783	16,863	-	28,646
 At 31 December 2023	 827,250	 705,458	 28,098	 1,560,806
Cost incurred	-	-	20,015	20,015
Transfer to trading properties under development (Note 7)	(52,961)	-	(6,943)	(59,904)
Transfer to trading properties (Note 11)	(9,600)	-	-	(9,600)
Change in fair value	14,863	51,036	-	65,899
 At 31 December 2024	 779,552	 756,494	 41,170	 1,577,216

Investment properties, including those under development as capital work-in-progress are located in the United Arab Emirates.

The Group has no restrictions on the realisability of its properties under development and contractual obligations to purchase, construct or develop these properties.

The following table shows the net income arising from investment properties:

	2024 AED '000	2023 AED '000
Rental income derived from investment properties (Note 19)	32,909	29,797
Direct operating expenses generating rental income	(4,002)	(2,098)
Net income arising from investment properties carried at fair value	28,907	27,699

Capital work-in-progress

Capital work-in-progress relates to the development of commercial and retail properties located in Mina Al Arab, Ras Al Khaimah which will be leased-out to third parties after completion.

Cost incurred includes borrowing costs capitalised during the year amounting to AED 172 thousand (2023: AED 1,891 thousand), calculated using an average capitalisation rate of 7.5% (2023: 8.16%) per annum.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

6 Investment properties (continued)

The fair value of the investment properties is calculated on the basis of valuation carried out by independent external valuers. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

A valuation model recommended by the International Valuation Standards Committee has been applied which is consistent with the principles of IFRS 13. In estimating the fair value of the investment properties, management has concluded that the highest and best use of the properties is their current use. The fair value measurement for all of the investment properties has been categorised as Level 3-fair value based on the inputs to the valuation technique used.

The value of the investment properties has been determined through analysis of the following:

Valuation technique underlying management's estimation of fair value

Discounted cash flow method:

The fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

Sales comparable method:

This method involves analysing sales and asking prices of similar units and comparing these to the subject property. Comparative analysis is based on similarities in the property rights appraised, market conditions, size, location and physical features.

Significant unobservable inputs

Based on the type and location of the property, the value of each of the properties has been determined by assuming discount rates of 17% (2023: 17%).

The fair value for the properties valued under the discounted cash flow method are sensitive to the change in the above factors.

Prices of land parcels range from AED 3.75 per square foot to AED 1,485 per square foot (2023: AED 3.6 per square foot to AED 1,415 per square foot).

Prices of commercial properties range from AED 310 to AED 2,050 per square foot (2023: AED 300 to AED 1,901 per square foot).

As at 31 December 2024, capital work-in-progress amounted to AED 41,170 thousand (2023: AED 28,098 thousand) were recorded at cost as the fair value could not be reliably determined.

Certain items of investment properties are mortgaged against bank borrowings (Note 17).

Deferred government grant

The Government of Ras Al Khaimah had granted certain plots of land with an aggregate area of 66,977 thousand square feet on the condition that these plots of land 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 of Ras Al Khamiah and is based on the progress of the development activities. Following is the movement in the remaining amounts of deferred government grant.

	2024 AED '000	2023 AED '000
At 1 January	369,662	388,485
Amortisation of government grant (Note 20)	<u>(22,124)</u>	<u>(18,823)</u>
At 31 December	347,538	369,662

Amortized amounts are adjusted against the cost of sales as project cost.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

7 Trading properties under development

	2024 AED '000	2023 AED '000
At 1 January	1,341,869	1,696,662
Land acquired against issuance of additional shares (Note 13)	1,034,120	-
Cost incurred during the year	622,513	182,719
Transfer of advances pertaining to land in Abu Dhabi (Note 10)	18,841	-
Cost transferred to cost of revenue during the year	(656,848)	(346,831)
Transferred from property and equipment (Note 5)	48,126	-
Transfer from investment properties (Note 6)	59,904	28,532
Transfer to investment in a joint venture (Note 9)	-	(34,408)
Impairment loss	-	(2,288)
Transfer to trading properties (Note 11)	(10,536)	(182,517)
At 31 December	2,457,989	1,341,869
Less: classified as current assets	(54,409)	-
Classified as non-current assets	2,403,580	1,341,869

The following table shows the location wise of the trading properties under development.

	2024 AED '000	2023 AED '000
Inside UAE	2,444,174	1,328,054
Outside UAE	13,815	13,815
	2,457,989	1,341,869

As at 31 December 2024, the management estimated the net realisable value of trading properties under development based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business. These estimates also take into consideration the purpose for which such properties are held. The determination of net realisable value of trading properties under development is based on external valuations using various valuation methodologies and techniques. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

In 2023, based on the above assessment of net realizable value, the Board of Directors decided to write down net realisable value of AED 2,288 thousand based on the independent valuation of net realisable value of trading properties under development. No impairment loss was noted in the current year.

Issuance of shares

During the year, the Group 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 to Note 13 for further details of this transaction. The Group has decided to develop this land and accordingly categorised it under trading properties under development.

Certain items of trading properties under development are mortgaged against bank borrowings (Note 17).

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2024

8 Investments

	2024 AED '000	2023 AED '000
Non-current investments		
At fair value through other comprehensive income		
Investments within UAE		
Unquoted equity investments	1,259	1,898
Investments outside UAE		
Unquoted real estate funds	3,320	3,320
Unquoted equity investments	<u>13,597</u>	<u>15,052</u>
	<u>18,176</u>	<u>20,270</u>
Current investments		
At fair value through profit or loss		
Unquoted equity investments	<u>-</u>	<u>3,249</u>
	<u>-</u>	<u>3,249</u>
Total investments	<u>18,176</u>	<u>23,519</u>

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

A reconciliation of investments measured at fair value based on significant unobservable inputs (level 3 fair value) is as follows:

	2024 AED '000	2023 AED '000
At 1 January	23,519	45,555
Disposals during the year	(315)	-
Change at fair value through profit or loss, net	(3,249)	(2,198)
Change at fair value through other comprehensive income, net	<u>(1,779)</u>	<u>(19,838)</u>
At 31 December	<u>18,176</u>	<u>23,519</u>

The details of valuation techniques and assumptions applied for the measurement of fair value of investments are mentioned in Note 28.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

9 Investment in a joint venture

	2024 AED '000	2023 AED '000
Investment in a joint venture Ellington Development FZ-LLC	<u>77,045</u>	68,069

In 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.

Under the agreements, the Group’s contribution in the Project is 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 parties have equal control, and profit shall be on an equal 50:50 basis between the Group and Ellington.

The movement in the investment in a joint venture during the year is as follows:

	2024 AED '000	2023 AED '000
At 1 January	68,069	-
Transfer from investment properties (Note 6)	-	33,592
Transfer from trading properties under development (Note 7)	-	34,408
Share of profit during the year	<u>8,976</u>	69
At 31 December	<u>77,045</u>	68,069

The following table summarises the income statements and statement of financial position of the Group’s joint venture as at and for the year ended 31 December 2024:

	2024 AED '000	2023 AED '000
Statement of financial position		
Total assets	344,154	276,681
Total liabilities	<u>(190,064)</u>	<u>(140,543)</u>
Net assets	<u>154,090</u>	<u>136,138</u>
Share of net assets	<u>77,045</u>	68,069
	2024 AED '000	2023 AED '000
Statement of comprehensive income		
Revenue	35,198	-
Profit for the year	<u>17,952</u>	138
Other comprehensive income	-	-
Total comprehensive income for the year	<u>17,952</u>	138
Share of profit %	50%	50%
Group’s share of profit in joint venture	<u>8,976</u>	69

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

10 Trade and other receivables

	2024 AED '000	2023 AED '000
Trade receivables (Note 19)	479,888	533,096
Contract assets (Note 19)	795,679	326,831
Trade receivables and contract assets, gross	1,275,567	859,927
Less: Allowance for expected credit losses	(28,327)	(25,236)
Trade receivables and contract assets, net	1,247,240	834,691
Other receivables	64,832	29,774
	<u>1,312,072</u>	<u>864,465</u>
Capitalised cost to obtain contract	138,644	113,119
Advances to suppliers and contractors	92,712	111,572
VAT receivables	7,610	7,452
Prepayments	3,959	1,959
	<u>1,554,997</u>	<u>1,098,567</u>
Less: Non-current portion of trade and other receivables	(559,866)	(548,900)
	<u>995,131</u>	<u>549,667</u>

In 2023, advances to suppliers and contractors included AED 18,841 thousand paid in the previous years to a real estate entity for purchase of parcels of land in Abu Dhabi. In 2024, the legal formalities for purchase of these parcels of land have been completed and the land has been transferred to trading properties under development (Note 7). This transaction has been eliminated while preparing the consolidated statement of cash flows, being a non-cash transaction.

Advances paid to contractors at the commencement of works are adjusted against progress billings issued by the contractors throughout the project construction period.

Capitalised cost to obtain contract is amortised over the period of satisfying the related performance obligations.

Trade receivables are secured by post-dated cheques amounting to AED 297,997 thousand (2023: AED 424,284 thousand).

The movement in the allowance of expected credit loss during the year is as follows:

	2024 AED '000	2023 AED '000
At 1 January	25,236	21,648
Provision for expected credit loss	3,091	3,588
At 31 December	28,327	25,236

The ageing analysis of gross trade receivables and contract assets and expected credit loss is as follows:

	2024			2023		
	Gross carrying amount AED' 000	Expected credit loss AED' 000	Expected credit loss rate %	Gross carrying amount AED' 000	Expected credit loss AED' 000	Expected credit loss rate %
Neither past due nor impaired	1,075,847	15,370	1.4%	724,287	15,027	2.1%
<i>Past due but not impaired</i>						
0-30 days	110,757	1,596	1.4%	103,933	2,156	2.1%
30-60 days	2,713	39	1.4%	2,239	46	2.1%
60-90 days	24,166	348	1.4%	1,191	25	2.1%
> 90 days	62,084	10,974	17.7%	28,277	7,982	28.2%
	1,275,567	28,327	2.3%	859,927	25,236	2.9%

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

11 Trading properties

	2024 AED '000	2023 AED '000
At 1 January	38,552	42,140
Transferred from investment properties (Note 6)	9,600	-
Transferred to investment properties (Note 6)	-	(6,044)
Transfer from trading properties under development (Note 7)	10,536	182,517
Cost of properties sold	(19,983)	(179,351)
Impairment	-	(710)
At 31 December	38,705	38,552

The following table shows the location wise of the trading properties:

	2024 AED '000	2023 AED '000
<i>Current:</i>		
Inside UAE	24,942	24,789
Outside UAE	13,763	13,763
	38,705	38,552

As at 31 December 2024, the Group determined net realisable value of trading properties. The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business less selling costs. These estimates also take into consideration the purpose for which such properties are held. The determination of net realisable value of trading properties is based on external valuations using various valuation methodologies and techniques. The valuers are members of professional valuers' associations and have appropriate qualifications and experience in the valuation of properties at the relevant locations.

During the current year, no impairment of trading properties was recorded (2023: impairment loss amounted to AED 710 thousand) based on an independent valuation of net realisable value of trading properties.

Certain items of trading properties are mortgaged against bank borrowings (Note 17).

12 Bank balances and cash

	2024 AED '000	2023 AED '000
Cash in hand	270	140
Bank balances:		
- Current accounts	52,594	48,543
- Call accounts	3,997	3,293
- Current accounts – unclaimed dividends	5,729	5,729
- Term deposits	400,000	400,000
	462,590	457,705

For the purpose of consolidated statement of cash flows, cash and cash equivalent consist of:

	2024 AED '000	2023 AED '000
Bank balances and cash	462,590	457,705
Less: Current accounts – unclaimed dividends	(5,729)	(5,729)
Less: Bank overdrafts (Note 17)	(340,972)	(349,959)
Cash and cash equivalent at the end of the year	115,889	102,017

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

12 Bank balances and cash (continued)

Current accounts - unclaimed dividends will be utilised only for the payment of dividend and cannot be used for any other purposes. As required by directive issued by SCA dated 30 April 2023, the Group transferred an amount of AED 32,992 thousand on 18 May 2023 as approved unclaimed dividends pertaining to periods before March 2015 to Securities and Commodities Authority (SCA).

Bank balances include short-term deposits amounting to AED 400,000 thousand (2023: AED 400,000 thousand). The effective average interest rate on deposits ranges between 4% to 5.30% per annum (2023: 1.85% to 5.30% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank overdraft (Note 17).

13 Share capital

	2024	2023
	AED '000	AED '000
Authorised, issued and fully paid up 3,000,000,000 shares (2023: 2,000,000,000 shares) of par value of AED 1 each	<u>3,000,000</u>	<u>2,000,000</u>

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 60,000 thousand in addition to bonus shares of 4% (2023: AED Nil) amounting to AED 80,000 thousand (2023: AED Nil).

The shareholders at the Annual General Meeting held on 20 March 2024 approved to increase the Company's share capital by issuing 920 million shares with a nominal value of AED 1, 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 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 31 December 2024, 17,917 thousand treasury shares with a cost value of AED 22,615 thousand were held (2023: AED Nil).

14 Statutory reserve

In accordance with UAE Federal Decree Law No. (32) of 2021 and the Company's Articles of Association, 10% of net profit for the year is required to be appropriated to statutory reserve until the reserve equals 50% of paid up share capital of the Company. The reserve is not available for distribution except in the circumstances stipulated by the Law. During the current year, an amount of AED 28,092 thousand was transferred from retained earnings to statutory reserve (2023: AED Nil).

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

15 Other reserves

	General Reserve AED '000	Develop. reserve AED '000	Fair value reserve AED '000	FF&E reserve AED '000	Total AED '000
At 1 January 2023	636,526	303,675	(227,594)	505	713,112
Other comprehensive loss for the year	-	-	(19,838)	-	(19,838)
Transfer from retained earnings	20,182	-	-	1,121	21,303
At 31 December 2023	656,708	303,675	(247,432)	1,626	714,577
Other comprehensive loss for the year	-	-	(1,779)	-	(1,779)
Transfer to retained earnings on disposal of investments designated at FVOCI	-	-	5,984	-	5,984
Transfer from retained earnings	-	-	-	3,789	3,789
At 31 December 2024	656,708	303,675	(243,227)	5,415	722,571

Nature and purpose of other reserves

General reserve

In accordance with the previous version of the Company's Articles of Association, 10% of the net profit for the year used to be transferred to the general reserve. General reserve shall be used for the purposes decided by the ordinary general meeting upon the suggestion of the Board of Directors.

Development reserve

In accordance with the Company's Articles of Association and pursuant to the approval of the Board of Directors, a development reserve has been created which will be utilised for future development and maintenance of facilities at various properties owned by the Group. During the year, there is no movement in the development reserve (2023: AED Nil).

Fair value reserve

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

Reserve for replacement of furniture, fixtures and equipment (FF&E reserve)

In accordance with the hotel management agreements entered into with the operators of the hotels, the reserve for replacement of furniture, fixtures and equipment will be used for the sole purpose of replacement and renewal of furniture, fixtures and equipment of the Hotel buildings.

16 Employees' end-of-service benefit

The movement in the provision for employees' end-of-service benefits are as follows:

	2024 AED '000	2023 AED '000
At 1 January	5,635	4,051
Charge for the year	3,206	1,842
Payments made during the year	(838)	(258)
At 31 December	8,003	5,635

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Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

17 Bank borrowings

	2024 AED '000	2023 AED '000
Term loans	894,908	883,150
Short term borrowing	26,179	-
Bank overdrafts (Note 12)	340,972	349,959
Total bank borrowings	<u>1,262,059</u>	<u>1,233,109</u>
Less: current portion	(519,884)	(452,067)
Non-current portion	<u>742,175</u>	<u>781,042</u>

Bank overdrafts

The Group has obtained overdraft facilities of AED 700,000 thousand (2023: AED 540,000 thousand) from commercial banks. Interest on bank overdrafts, which are secured by term deposits 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.

The overdraft facilities of the Group are secured by:

- Lien over fixed deposit for AED 400,000 thousand (Note 12);
- To route funds 1.5 times of the net clean limit utilised under the overdraft.
- On 31 December 2024, the net clean limit utilised was AED Nil (31 December 2023: AED 3,847 thousand).

Short term borrowing

The facility is obtained from commercial bank during the current year and carries a rate of 3 months EIBOR + fixed margin per annum. The available drawdown limit on 31 December 2024 amounted to AED 573,821 thousand.

Term loans

The movement in the term loans during the year is as follows:

	2024 AED '000	2023 AED '000
Balance at 1 January	883,150	898,370
Loan drawdown during the year	177,510	96,247
Repayment during the year	(165,752)	(111,467)
Balance at 31 December	<u>894,908</u>	<u>883,150</u>

The Group has the following secured interest-bearing term loans:

- Term loan facility from a commercial bank with a limit of AED 358,000 thousand to finance the construction of a hotel project. This facility is repayable in 28 quarterly step-up instalments commencing from May 2022 and carries an interest rate of 3 months EIBOR + fixed margin per annum. There is no available drawdown limit on 31 December 2024 (2023: AED Nil).
- Term loan facility from a commercial bank with a limit of AED 324,400 thousand to finance the construction of a hotel project. The facility is repayable in 30 equal quarterly instalments with moratorium for a period of 2 years 9 months from the date of first drawdown and carries an interest rate of fixed margin over 3 months EIBOR. The available drawdown limit on 31 December 2024 amounted to AED 1,065 thousand (2023: AED 14,492 thousand).

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

17 Bank borrowings (continued)

Term loans (continued)

- Term loan facility from a commercial bank with a limit of AED 275,000 thousand. The loan is repayable over a period of ten years in 39 equal instalments and final instalment (40th) of USD 29,948 thousand and carries interest at USD secured overnight financing rate (SOFR) plus a fixed margin. The outstanding balance is denominated in USD and translated at a rate of USD 1: AED 3.673. There is no available drawdown limit on 31 December 2024 (2023: AED Nil).
- Term loan facility from a commercial bank with a limit of AED 350,000 thousand. This facility is repayable in 35 monthly step-up instalments commencing from April 2024 and carries an interest rate of 3-month EIBOR + fixed margin per annum. The available drawdown limit on 31 December 2024 amounted to AED 192,500 thousand.

As at 31 December 2024, the Group is subject to compliance with certain financial covenants, such as maintenance of certain restrictive covenants including maintaining Debt to EBITDA ratio. The Group has complied with all covenants mentioned in those agreements in the current year.

Loans are secured against the following:

- Legal mortgage of land and buildings of specific properties included in property and equipment, investment properties, trading properties under development and trading properties (Notes 6, 7, and 11).
- 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.

18 Trade payable, accruals and other liabilities

	2024 AED '000	2023 AED '000
Trade payables	163,102	81,882
Project contract accruals	195,486	114,442
Other payables and accruals	204,849	184,849
Contract liabilities (Note 19)	149,008	48,550
Unclaimed dividends (Note 12)	5,729	5,729
Advance connection charges	121,978	110,697
Provision for income tax (Note 23)	21,762	-
Deferred tax liability (Note 23)	5,478	-
At 31 December	867,392	546,149
Less: Non-current portion	(359,912)	(154,846)
Current portion	507,480	391,303

Trade payables include amounts due to a related party of AED Nil (2023: AED 4,953 thousand) (Note 25).

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

19 Revenue

	2024 AED '000	2023 AED '000
Type of revenue from contracts with customers		
Sale of properties	1,145,765	830,536
Hospitality services	199,760	116,074
Facility management income	27,292	26,467
Forfeiture and other income	592	2,017
Total revenue from contracts with customers	1,373,409	975,094
Other operating income		
Leasing income (Note 6)	32,909	29,797
Total revenue	1,406,318	1,004,891
<hr/>		
Timing of revenue recognition		
Recognised over a period of time	1,276,436	667,825
Recognised at a point in time	96,973	307,269
Total revenue from contracts with customers	1,373,409	975,094
Leasing income - recognised over the lease term	32,909	29,797
Total revenue	1,406,318	1,004,891
<hr/>		
Contract balances		
Trade receivables (Note 10)	479,888	533,096
Contract assets (Note 10)	795,679	326,831
Contract liabilities (Note 18)	149,008	48,550

Contract assets

Contract assets are initially recognised for revenue earned from sale of properties under development as receipt of consideration is conditional on acceptance of the customer. Upon the properties under development reaching pre-agreed completion milestones the amount recognised as contract assets are invoiced to customers and are reclassified as trade receivables. As such, the balance of this account vary and depend on the number of ongoing development projects at the end of the year.

Contract liabilities

Contract liabilities represent advances received from customers to deliver projects and advances for rental of properties. The Group expects to recognise these unsatisfied performance obligations as revenue over a period of 1-3 years.

Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2024 AED '000	2023 AED '000
Within one year	836,594	791,697
More than one year	1,022,236	845,318
Total	1,858,830	1,637,015

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

20 Cost of revenue

	2024 AED '000	2023 AED '000
Cost of sale of properties	753,402	569,347
Hotel operations expenses	85,264	46,987
Facility management and property leasing expenses	46,341	41,815
Others	515	342
Amortisation of government grant (Note 6)	<u>(22,124)</u>	<u>(18,823)</u>
	<u>863,398</u>	<u>639,668</u>

Hotel operation expenses include cost of food and beverages of AED 36,641 thousand (2023: AED 15,658 thousand) and staff cost of AED 33,173 thousand (2023: AED 20,926 thousand).

Facility management expenses include depreciation expense amounting to AED 6,453 thousand (2023: AED 6,448 thousand) (Note 5).

21 Selling, marketing and administrative expenses

	2024 AED '000	2023 AED '000
Payroll and related expenses	65,735	45,037
Depreciation of property and equipment (Note 5)	65,305	29,753
Advertisement and marketing expenses	54,921	32,034
General and administrative expenses	<u>63,271</u>	<u>32,556</u>
	<u>249,232</u>	<u>139,380</u>

During the year, an amount of AED 2,156 thousand was paid as social contribution (2023: AED 598 thousand).

22 Finance income/cost

Finance income

	2024 AED '000	2023 AED '000
Interest income on fixed deposits	18,605	13,609
Unwinding for discounting of long-term receivables	9,000	-
	<u>27,605</u>	<u>13,609</u>

Finance cost

	2024 AED '000	2023 AED '000
Interest on bank borrowings	86,656	54,454
Discounting of long-term receivables	-	10,231
Bank charges	<u>2,924</u>	<u>1,444</u>
	<u>89,580</u>	<u>66,129</u>

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

23 Income tax

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.

(i) The income tax expense recognised in the consolidated statement of profit or loss comprises the following:

	2024 AED '000	2023 AED '000
Income tax		
Current income tax expense	21,762	-
Deferred tax liability	5,478	-
Total income tax expense	27,240	-

(ii) Reconciliation of income tax expense:

	2024 AED '000	2023 AED '000
Profit before tax	308,156	-
Tax at the tax rate of 9% effective from 1 January 2024 (2023: 0%)	27,734	-
Tax effects of:		
Less: 9% tax on Share of profit from associate	(808)	-
Add: Expenses not deductible for tax purposes	348	-
Less: Taxable income not exceeding threshold	(34)	-
Total income tax expense	27,240	-

(iii) The movement in provision for current tax liability is as follows:

	2024 AED '000	2023 AED '000
Opening balance	-	-
Current tax expense (refer (i))	21,762	-
Closing balance (Note 18)	21,762	-

(iv) The movement in deferred tax liability is as follows:

	Unrealised gain on investment		
	properties AED '000	Others AED '000	Total AED '000
31 December 2024			
Opening balance	-	-	-
Provision for the year (refer (i))	5,931	(453)	5,478
Closing balance (Note 18)	5,931	(453)	5,478

(v) Status of assessments

In line with Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law"), the Group must prepare their first corporate tax filing, within nine months after the end of their relevant tax period i.e. 30 September 2025. As this is the first period for which corporate tax is applicable to the Group, a return has not previously been filed and no previous assessments have been made.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

24 Earnings per share

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

	2024 AED '000	2023 AED '000
Basic earnings per share		
Net profit for the year after tax (AED'000)	<u>280,916</u>	<u>201,817</u>
Issued ordinary shares outstanding at 1 January (in thousands)	2,000,000	2,000,000
Effects of bonus shares issued (in thousands)	80,000	80,000
Effects of treasury shares (in thousands)	(28,988)	-
Effects of shares in-lieu of property (in thousands)	<u>488,986</u>	-
Weighted average number of shares outstanding at 31 December (in thousands)	<u>2,539,998</u>	<u>2,080,000</u>
Basic and diluted earnings per share (AED)	<u>0.111</u>	<u>0.097</u>

There were no potentially dilutive shares as at 31 December 2024 and 31 December 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.

25 Related party transactions and balances

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. These transactions are carried out at arm's length basis.

The significant transactions entered into by the Group with related parties during the year are as follows:

	2024 AED '000	2023 AED '000
Key management personnel of the Group		
Sale of properties	<u>4,609</u>	<u>1,860</u>

Balances with related parties included in the consolidated financial statements are as follows:

	2024 AED '000	2023 AED '000
Due to a related party - trade payables (Note 18)	<u>-</u>	<u>4,953</u>

Outstanding balances 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 consolidated financial statements (continued) For the year ended 31 December 2024

25 Related party transactions and balances (continued)

Compensation of key management personnel:

The remuneration of Directors and other key members of management during the year is as follows:

	2024 AED '000	2023 AED '000
Salaries and benefits	16,199	11,107
End of service benefits	472	389
Board of Directors' remuneration	8,000	-
	<hr/> <u>24,671</u>	<hr/> <u>11,496</u>

The Directors have proposed the Board of Directors' remuneration of AED 8,000 thousand (2023: AED 8,000 thousand) for the year ended 31 December 2024. This is subject to approval by the Shareholders in the Annual General Meeting.

26 Commitments

Significant commitments relating to the property development are as follows:

	2024 AED '000	2023 AED '000
Approved and contracted	<hr/> <u>1,322,938</u>	<hr/> <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 any payables or accruals at year-end.

The above does not include any commitments to related parties (2023: AED Nil).

27 Dividends

The Company has paid cash dividend of AED 60,000 thousand (AED 0.03 per share) in addition to bonus shares with total amount of AED 80,000 thousand (AED 0.04 per share) as approved by Shareholders in the Annual General Meeting held 20 March 2024.

The Board of Directors have not proposed any dividend for the year ended 31 December 2024.

28 Fair value measurements

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 financial statements approximate their fair values.

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

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments in the consolidated statement of financial position, as well as the significant unobservable inputs used. There has been no change in the valuation techniques and methods applied from previous year.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

28 Fair value measurements (continued)

Type	Valuation techniques and key inputs	Significant unobservable inputs	Interrelationship of unobservable inputs to fair value
Fair value through OCI - unquoted equities and funds	Net assets/ adjusted net asset value valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. Wherever such information is available.	Net assets value/ Market approach	Higher the net assets value of the investees, higher the fair value.
Financial assets carried at FVTPL	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. Market approach is applied wherever such information is available.	Net assets value	Higher the net assets value of the investees, higher the fair value.

Fair value measurements recognised in the 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
31 December 2024				
Fair value through OCI – unquoted equities and funds	-	-	18,176	18,176
Investment properties	-	-	1,577,216	1,577,216
	-	-	1,595,392	1,595,392

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
31 December 2023				
Fair value through OCI – unquoted equities and funds	-	-	20,270	20,270
Financial assets carried at FVTPL	-	-	3,249	3,249
Investment properties	-	-	1,560,806	1,560,806
	-	-	1,584,325	1,584,325

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

28 Fair value measurements (continued)

During the current and prior year, 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.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 4 to the consolidated financial statements.

Details of measurements basis of financial assets is as below.

	At amortised cost AED '000	Fair value through profit or loss AED '000	Fair value through other comprehensive income AED '000	Total AED '000
31 December 2024				
Investments	-	-	18,176	18,176
Trade and other receivables *	1,430,611	-	-	1,430,611
Bank balances	462,320	-	-	462,320
	1,892,931	-	18,176	1,911,107
31 December 2023				
Investments	-	3,249	20,270	23,519
Trade and other receivables *	922,109	-	-	922,109
Bank balances	457,565	-	-	457,565
	1,379,674	3,249	20,270	1,403,193

* Excluding capitalised cost to obtain contract, advances to suppliers and contractors, prepayments and VAT receivables.

Details of measurements basis of financial liabilities is as below.

	At amortised cost AED '000	Fair value through profit or loss AED '000	Total AED '000
<i>Financial liabilities</i>			
31 December 2024			
Bank borrowings (Note 17)	1,262,059	-	1,262,059
Trade payables, accruals and other liabilities	707,206	-	707,206
	1,969,265	-	1,969,265
31 December 2023			
Bank borrowings (Note 17)	1,233,109	-	1,233,109
Trade payables, accruals and other liabilities	486,286	-	486,286
	1,719,395	-	1,719,395

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

29 Financial risk management, objective and policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's management is responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on its activities. The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management practices in others.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk in relation to its financial assets, mainly trade receivables, other receivables and bank balances.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment allowance, represents the Group's maximum exposure to credit risk. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

The Group is exposed to credit risk from its operating activities on the following financial assets:

Trade receivables and contract assets

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored. At 31 December 2024 and 2023, the Group had receivables from a large number of customers.

The Group is exposed to credit risk on receivables from sale of properties as the Group allows its customers to make payments in instalments over a pre-agreed number of years. The Group receives advances from its customers at the time of the sale and post-dated cheques for the remaining balance at the time of hand over, if applicable. In addition, the Group does not transfer the legal title of the property to the customer until the full amount has been paid. Furthermore, the risk of financial loss to the Group on account of customer default is low as the property title acts as collateral.

The Group considers a trade receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a trade receivable to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

29 Financial risk management, objective and policies (continued)

Credit Risk (continued)

Trade receivables and contract assets (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, certain trade receivables are proposed for write-off if past due for more than one year and are not subject to enforcement activity. The Group evaluates the concentration of risk with respect to trade receivables as low, as the balances are due from a large number of customers. The information about the credit risk exposure on the Group's trade receivables and contract assets using the expected credit loss is disclosed in Note 10.

Bank balances

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group considers the credit risk on bank balances to be minimal given that the counterparties are banks with investment grade credit ratings assigned by international credit rating agencies and callable on demand. Considering these factors, management has assessed there is minimal credit risk on cash and cash equivalents.

Other receivables

With respect to credit risk arising from other receivables, the Group's exposure to credit arises from default of the counter party with maximum exposure equal to the carrying amount of these assets.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities with financial institutions, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and include contractual interest payments:

	Carrying amount AED '000	Contractual cash flows AED '000	Less than 1 year AED '000	More than 1 year AED '000
31 December 2024				
Trade payables, accruals and other liabilities	707,206	707,206	707,206	-
Bank overdrafts	340,972	340,972	340,972	-
Short term borrowing	26,179	26,179	26,179	-
Term loan	894,908	1,108,623	204,804	903,819
	1,969,265	2,182,980	1,279,161	903,819

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

29 Financial risk management, objective and policies (continued)

Liquidity Risk (continued)

	Carrying amount AED '000	Contractual cash flows AED '000	Less than 1 year AED '000	More than 1 year AED '000
31 December 2023				
Trade payables, accruals and other liabilities	486,286	486,286	486,286	-
Bank overdraft	349,959	349,959	349,959	
Term loans	883,150	1,188,759	173,004	1,015,755
	1,719,395	2,025,004	1,009,249	1,015,755

Changes in liabilities arising from financing activities:

	1 January AED '000	Cash inflows AED '000	Cash outflows AED '000	31 December AED '000
2024				
Term loan	883,150	177,510	(165,752)	894,908
Short term borrowing	-	26,179	-	26,179
Unclaimed dividend	5,729	-	-	5,729
	888,879	203,689	(165,752)	926,816

	1 January AED '000	Cash inflows AED '000	Cash outflows AED '000	31 December AED '000
2023				
Term loan	898,370	96,247	(111,467)	883,150
Unclaimed dividend	38,995	-	(33,266)	5,729
	937,365	96,247	(144,733)	888,879

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(a) *Currency risk*

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Most of the Group's transactions are carried out in AED and USD. The risk related to the transactions denominated in USD is low as the USD is pegged against AED. Fluctuations in the exchange rates would not have a significant impact the Group's financial position.

(b) *Equity price risk*

The majority of investment held by the Group is in unquoted equities. The unquoted equity securities are valued by experts at each reporting date. Equity price risk is the risk that the fair values of equities increase or decrease as a result of changes in the levels of individual stocks. Equity price risk arises from equity instruments held by the Group at fair value through other comprehensive income and fair value through profit or loss. The Management monitors equity securities in its investment portfolio based on market indices, which are managed by qualified team. The primary goal of the Group's investment strategy is to maximise investment returns.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

29 Financial risk management, objective and policies (continued)

Market risk (continued)

(c) Interest rate risk

The Group is mainly exposed to interest rate risk on its variable rate instruments i.e. bank borrowings. These are subject to normal commercial rates of interest, as determined by market conditions.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is as under:

	2024 AED '000	2023 AED '000
Variable rate instruments		
<i>Financial liabilities:</i>		
Term loan	894,908	883,150
Short term borrowing	26,179	-
Bank overdrafts (Note 12)	<u>340,972</u>	<u>349,959</u>
	<u>1,262,059</u>	<u>1,233,109</u>

Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) the consolidated equity and the consolidated profit or loss and the consolidated statement of financial position by the amounts shown below. The analysis assumes that all other variables remain constant.

	Impact on consolidated profit or loss and total equity	
	100 bp increase AED '000	100 bp decrease AED '000
31 December 2024		
Variable rate instruments	<u>(12,621)</u>	<u>12,621</u>
31 December 2023		
Variable rate instruments	<u>(12,331)</u>	<u>12,331</u>

Capital management

For the purpose of the Group's capital management, capital includes issued share capital, treasury shares, statutory reserve, general reserve, fair value reserve, other reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders. No changes were made in the objectives, policies or processes during the year and previous year.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with capital. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions, its business model and risk profile.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

30 Segment information

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
31 December 2024				
Revenue	1,145,945	199,761	60,612	1,406,318
Cost	(731,278)	(85,264)	(46,856)	(863,398)
Segment profit	414,667	114,497	13,756	542,920
Total assets	3,958,375	1,433,708	2,619,906	8,011,989
Total liabilities	599,660	597,178	1,288,154	2,484,992
Capital expenditure	-	56,496	92,933	149,429
31 December 2023				
Revenue	832,170	116,074	56,647	1,004,891
Cost	(550,524)	(46,987)	(42,157)	(639,668)
Segment profit	281,646	69,087	14,490	365,223
Total assets	2,397,691	1,533,179	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

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

31 Comparatives

During the current year, the Management have reclassified an amount of AED 18,823 from other income to cost of revenue in the consolidated statement of profit or loss. Further, investment properties under development have been reclassified to within investment properties and disclosed as capital work-in-progress in Note 6. Management have made these reclassifications in order to better reflect the nature of these items. However, there is no effect on previously reported total equity, profit for the year and the net change in cash and cash equivalent.

The reclassifications are as follows:

	As previously reported AED '000	Reclassification AED '000	As currently reported AED '000
Consolidated statement of profit or loss			
For the year ended 31 December 2023			
Cost of revenue	(658,491)	18,823	(639,668)
Other income	27,386	(18,823)	8,563
Consolidated statement of financial position			
At 31 December 2023			
Investment properties	1,532,708	28,098	1,560,806
Investment properties under development	28,098	(28,098)	-

32 Subsequent events

There have been no significant adjusting or non-adjusting events that have occurred between 31 December 2024 and the date of authorization of these consolidated financial statements.