رأس الخيمة العقارية
RAK PROPERTIES

# ANNUAL REPORT 2022

**H.H. Sheikh Saud Bin Saqr Al Qasimi**

Member of the Supreme Council
and Ruler of Ras Al Khaimah

**H.H. Sheikh Mohamed Bin Zayed Al Nahyan**

President of the UAE

**H.H. Sheikh Mohammed Bin Saud Al Qasimi**

Crown Prince of Ras Al Khaimah

# A Naturally *Forward Thinking* Emirate

At the Emirate's economic heart lies multiple major companies and diverse sectoral interests, including manufacturing and tourism. Major companies include: RAK Ceramics, RAKBANK, Julphar Pharmaceuticals, RAK Ports, RAK Rock, Stevin Rock, RAK Economic Zone, RAK Gas. Supporting these industries is a modern infrastructure, state-of-the-art industrial areas and business parks and world-class hotels, facilities and attractions for tourists.

For the past decade, Ras Al Khaimah has been consistently rated 'A' by Fitch and Standard & Poor's rating agencies and already the Emirate is home to more than 38,000 businesses from 100 countries representing over 50 industries. RAK Courts is also the fastest court in the world at enforcing contracts in commercial disputes.

Ras Al Khaimah (RAK) is the northernmost of the seven Emirates that make up the United Arab Emirates. It is known for its rich history, dating back 7,000 years, and diverse landscape, from 64km of pristine beaches, to terracotta deserts and an imposing mountain backdrop. The Emirate is home to the highest peak in the UAE, Jebel Jais, which features the world's longest zip line, at almost 3km.

Ras Al Khaimah is also centrally located at the modern crossroad between Europe, Asia and Africa, with one third of the world's population within four hour's flying time, making it an ideal location for businesses to expand into the UAE, the Middle East and Africa and beyond. Indeed, the World Bank's Doing Business report ranks Ras Al Khaimah 30th out of 190 economies for ease of doing business.

# Delivering *Excellence*

Since RAK Properties was inaugurated in 2005, we have remained committed to being a key player in developing Ras Al Khaimah, whilst preserving the emirate's unique natural environment and cultural values. True to our ethos of Building Close to Nature, we create residential and business communities that, even within our city developments, remain in touch with nature.

Over the years, we have established ourselves as one of the UAE's leading real estate developers. We pride ourselves on using only the highest quality workmanship, materials and finishes to create stylish homes and elegant offices. We have a growing portfolio of unique residential and office developments that have made their mark on both Ras Al Khaimah and the UAE. The projects we have delivered to date include: Julphar Towers, RAK Tower and Mina Al Arab.

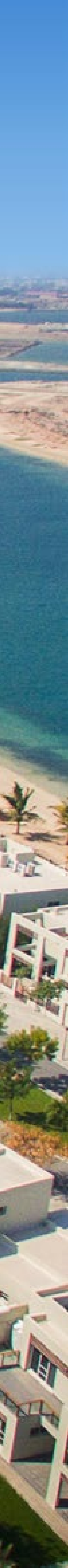
MINA AL ARAB

# Ras Al Khaima’s

## *Premiere Waterfront Community*

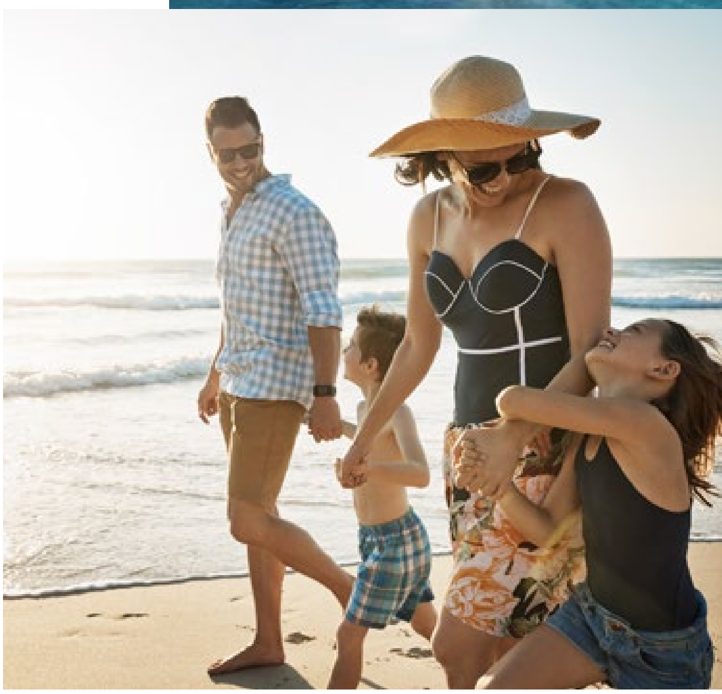
A luxurious, fully integrated community that offers the finest in waterfront living, Mina Al Arab is a blissful getaway, located in the beautiful natural surroundings of Ras Al Khaimah’s pristine coastline. Mina Al Arab comprises six districts, spread across the mainland shoreline and two man-made islands creating a fascinating destination that provides residents with a welcome retreat, whilst also offering the very best of vacation living.

Mina Al Arab was created with the environment in mind, with pristine beaches, numerous areas of lush parkland and coastal wetlands devoted to preserving and showcasing its natural beauty. Surrounding residents with the beauty and diversity of the natural environment, the community aims to encourage a lifestyle where relaxation and healthy living come naturally and is the perfect place to call home, for families and young professionals alike.



# Hayat island

A signature feature of Mina Al Arab is the master development, Hayat Island. The island features exciting water aspects, a fantastic waterfront promenade, seafront dining and retail, scenic cycle and pedestrian paths, all revolving around a prime position and spectacular vistas that surround it.




MARBELLA
VILLAS
55

# We have *Delivered*

**Over 2500**
Villas and Apartments

**Over 370K** sqft
of office space

**Over 260K** sqft
of retail space

# Live the *Ultimate Lifestyle*

ANANTARA
MINA AL ARAB
RAS AL KHAIMAH • RESORT

# "Life is *a journey.*"

Anantara Mina Al Arab Ras Al Khaimah Resort will feature the emirate's first Maldivian inspired overwater villas complex. With a 9,000 sqm private beach which overlooks the stunning eco-reserve lined with mangroves, the resort will also be home to a number of first class health and sports amenities such as the world-famous Anantara Spa, swimming pools and a tennis court. In addition, the resort will have four restaurant offerings, including a Thai specialty restaurant and a seafood restaurant, all of which creates the perfect ambience to both relax and be entertained.

INTERCONTINENTAL.
RAS AL KHAIMAH
MINA AL ARAB RESORT & SPA

# "Across *Oceans*, Across *Continents*, Across *Dreams.*"

Further enhancing Mina Al Arab's offering will be the InterContinental Mina Al Arab Resort. A 350-room luxury development, the resort will include an array of 5 star facilities and entertainment outlets for residents and visitors alike to enjoy. It features a well equipped gym, health club and spa, as well as two pools and a collection of retail outlets. Boasting a number of specialty restaurants and an all-day dining restaurant, guests have a range of food and beverage options to choose from.

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# CHAIRMAN'S LETTER TO THE SHAREHOLDERS

**Dear Shareholders,**

The Board of Directors of RAK Properties PJSC is pleased to submit the consolidated financial statements for the year ending 31st December 2022.

**Principal Activities:**
RAK Properties continues to invest in the development and management of real estate assets and it's associated activities including but not limited to sales, leasing, facility management and hospitality business.

## Financial Result

**2022 Net Revenue**
**AED 408 Million**
(2021: AED 516 Million)

**Company Total Asset** (31st December 2022)
**AED 6.32 Billion**
(2021: AED 6.21 Billion)

**Operational Achievements:**
During the year RAK Properties continued investing in the development of residential and hospitality properties.

**The Marbella**, consists of 207 villas and is a luxury residential beachfront from community on Hayat Island, Mina Al Arab and was handed-over to customers during the year.

**The Julphar Residence, Reem Island, Abu Dhabi**, a residential building of 266 apartments, was completed during the year. The sales of this residential tower will commenced in Q1 2023.

**Bay Residence Phase 1,** the main contract has been awarded and construction has started on these two residential towers on Hayat Island, Mina Al Arab.

**Gateway Residence 2,** the main contract has been awarded and construction has started on this residential apartment building on Hayat Island, Mina Al Arab. Sales are ongoing after the launch in the first half of 2022.

**The InterContinental Ras Al Khaimah Mina Al Arab Resort & Spa**, this notable 5 Star luxury hospitality assets has been operating successfully since February 2022 and delivering strong first year revenues.

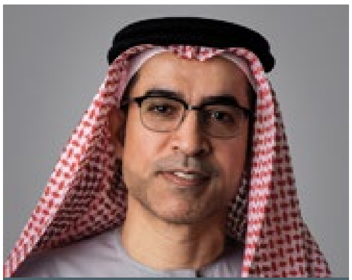
**Anantara Mina Al Arab Resort, Ras Al Khaimah**, the second 5 Star luxury hospitality asset is progressing as per the development plan and is on-track to begin operating before the end of 2023.

RAK Properties investment in the development of two five star hotels and residential assets is partly funded by project finance facilities from commercial banks, with a medium and long term focus on recurring revenue generation, capital appreciation and strengthening the balance sheet. As part of the Corporate Strategy RAK Properties also continues to invest in the infrastructure development of the Mina Al Arab community with a view to maximizing the value of the overall Mina Al Arab master development, and ultimately generating value for investors and customers.

**Outlook 2023:**
RAK Properties continues to invest in the development of appropriate asset classes and in human capital to manage ongoing business challenges and realize opportunities. With the support of all stakeholders RAK Properties has developed a robust budget for 2023 designed to drive company transformation and performance versus 2022. RAK Properties has allocated substantial funds for development, predominantly in Mina Al Arab, with the goal of maximizing the value of this important company asset and to increase revenue generation, as well as building the **RAK Properties PJSC and Mina Al Arab brands** and their appeal to our target customers and investors.

# THE BOARD OF DIRECTORS

Abdul Aziz Abdullah Al Zaabi
Chairman



Mohammad Ahmad Ruqait Al Ali
Deputy Chairman

Sheikh Ahmed Omar Al Qassimi
Director

Mohamed Musabbeh Al Nuaimi
Director

Abdallah Rashed Alabdouli
Director

Mohamed Ghobash Al Marri
Director

Yasser Abdulla Al Ahmad
Director

**Auditors:**

The consolidated financial statements for they year ended 31st of December 2022 have been audited by M/s Ernst & Young (EY), who were appointed as auditor of the company at the annual general meeting on 26th March 2022.

On behalf of the Board,

**Abdul Aziz Abdullah Al Zaabi**
**Chairman**

11 February 2023

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAK PROPERTIES PJSC

# Report on the Audit of the Consolidated Financial Statements

**Opinion**

We have audited the consolidated financial statements of RAK Properties PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**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 Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the 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 judgement, were of most significance in the audit of the consolidated financial statements of the year ended 31 December 2022. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Report on the Audit of the Consolidated Financial Statements

*Key Audit Matters (continued)*

| Key audit matter | How our audit addressed they key audit matter |
|---|---|
| **Valuation of unquoted investments through other comprehensive income** | |
| The Group's unquoted investments portfolio identified as fair value through other comprehensive income amounted to AED 40,108 thousand at 31 December 2022 (2021: AED 50,243 thousand) and the net fair value loss recorded in the consolidated statement of comprehensive income amounted to AED 9,822 thousand (2021: loss of AED 1,866 thousand). The Group measures its unquoted investments at fair value (note 10).<br><br>The determination of fair value of these unquoted investments involves significant judgements and is determined based on valuations undertaken by external valuers.<br><br>We identified assessing the fair value of unquoted investments measured at fair value through other comprehensive income as a key audit matter because of the degree of complexity involved and significant judgement exercised in determining the inputs used in the valuation models. | We have performed the following procedures:<br>- Obtained the valuation assessment prepared by the external valuers;<br>- Evaluated the external valuers qualifications, experience and expertise in the investments being valued and considered their objectivity, independence and scope of work;<br>- Assessed whether the valuation methods used are in accordance with the established standards for valuation of the investments and determining the fair value;<br>- On sample basis, we tested the inputs, if any, provided to the external valuers by management;<br>- We involved our internal valuation specialists to review the valuation methodologies, key assumptions and critical judgements used by comparing these with market data, or other publicly available information, on selected investments; and<br>- We assessed the disclosures made in the consolidated financial statements is in accordance with the requirements of IFRSs. |
| **Valuation of investment properties and investment properties under development** | |
| The Group owns a portfolio of investment properties of AED 1,559,016 thousand (2021: AED 1,568,192 thousand) and investment properties under development AED 44,299 thousand (2021: AED 65,197 thousand) comprising commercial properties, residential properties and various parcels of land. Net fair value gain recorded in the consolidated statement of profit or loss amounted to AED 29,425 thousand (2021: AED 2,552 thousand) (note 7 and note 8). | We have performed the following procedures:<br>- Obtained the valuation assessment prepared by the external valuers;<br>- Evaluated the external valuers qualifications, experience and expertise and considered their objectivity, independence and scope of work;<br>- Assessed whether the valuation methods used are in accordance with the established standards for valuation of the properties and determining the fair value; |

## Report on the Audit of the Consolidated Financial Statements (continued)

*Key Audit Matters (continued)*

| Key audit matter | How our audit addressed they key audit matter |
|---|---|
| **Valuation of investment properties and investment properties under development (continued)** | |
| These investment properties and investment properties under development are stated at their fair values as determined by independent real estate valuers ("the valuers") engaged by the Group.<br><br>The valuation process involves significant judgements in determining and estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the significant unobservable inputs and a small change in the assumptions can have a significant impact to the valuation. | We have performed the following procedures:<br>- We involved our internal valuation specialists to review the valuation methodologies, key assumptions and critical judgements used by comparing these with market data, or other publicly available information, on selected properties;<br>- On sample basis, we tested the inputs, if any, provided to the external valuers by management; and<br>- We assessed the disclosures made in the consolidated financial statements is in accordance with the requirements of IFRSs. |
| **Assessment of net realisable value of trading properties and trading properties under development** | |
| The Group has trading properties of AED 42,140 thousand (2021: AED 26,114 thousand) and trading properties held under development of AED 1,696,662 thousand (2021: AED 1,811,327 thousand) as at 31 December 2022 (note 9 and note 12). Impairment loss recorded in the consolidated statement of profit or loss amounted to AED 25,858 thousand (2021: AED 1,647) (note 9 and note 12).<br><br>Trading properties and trading properties under development are stated at the lower of their costs and their net realisable values.<br><br>The assessment of the fair value of these properties involves significant judgement in determining the appropriate methodology and in estimating the underlying assumptions. It is also dependent upon the management's estimation of future selling prices of these properties. | We have performed the following procedures:<br>- Obtained the valuation assessment prepared by the external valuers;<br>- Evaluated the external valuers qualifications, experience and expertise and considered their objectivity, independence and scope of work;<br>- With the assistance of our internal valuation specialist, we considered and assessed the reasonableness of valuation methodologies and assumptions used, such as estimated selling prices, in the valuation for selected properties;<br>- Assessed the reasonableness of the Group's estimated selling prices, by comparing them to recently transacted prices and prices of comparable properties;<br>- On sample basis, we tested the inputs, if any, provided to the external valuers by management;<br>- On sample basis, 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 any resultant write-down if any; and<br>- We assessed the disclosures made in the consolidated financial statements is in accordance with the requirements of IFRSs. |

## Report on the Audit of the Consolidated Financial Statements (continued)

*Key Audit Matters (continued)*

**Key audit matter**

**Revenue recognition from sale of units**

Revenue recognition from sale of units require significant judgements to be applied and estimates to be made.

The Group assesses for each of its contracts with customers, whether to recognise revenue over a period of time or at a point in time based on the consideration of whether the Group has created an asset with no alternative use and whether the Group has an enforceable right for payment related to the satisfaction of performance obligations during the term of the contract.

Where revenue is recognised over time, the Group estimates total development and infrastructure costs required to satisfy the performance obligations under the contract and recognises proportionate revenue to the extent of satisfaction of performance obligations as at the end of each reporting period.

Revenue recognition on sale of units was assessed as a key audit matter due to the significance of the assessment of satisfaction of performance obligations and judgements made in assessing the timing of revenue recognition.

We have performed the following procedures:

- We obtained an understanding of the process implemented by the Group for revenue recognition and measurement in respect of sale of units;
- We inspected a sample of contracts with customers for sale of units 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 those projects 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 is 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 IFRSs.

**Other Information**

The Board of Directors are responsible for the other information. The other information comprises the Directors Report and 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 and will 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.

## Report on the Audit of the Consolidated Financial Statements (continued)

**Other Information (continued)**
If, based on the work we have performed on other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

**Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Company's Articles of Association and UAE Federal Law No. 32 of 2021, 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.

**Auditors' 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 judgement 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.

## Report on the Audit of the Consolidated Financial Statements (continued)

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- 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 disclosures 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.

- 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 with the Board of Directors, 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 Law No. 32 of 2021, we report that for the year ended 31 December 2022:

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 Articles of Association of the Company and the UAE Federal Law No. 32 of 2021;

iii. the Company has maintained proper books of account;

iv. the financial information included in the Board of Directors report is consistent with the books of account of the Company;

v. investments in shares and stocks during the year ended 31 December 2022 (if any), are disclosed in note 10 to the consolidated financial statements;

vi. note 26 reflects material related party transactions and the terms under which they were conducted;

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 Company has contravened during the year ended 31 December 2022, any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or Articles of Association of the Company which would materially affect its activities or its financial position as at 31 December 2022; and

viii. note 23 reflects the social contributions made during the year ended 31 December 2022.

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No.: 1258

11 February 2023

Ras Al Khaimah, United Arab Emirates

**RAK Properties PJSC and its subsidiaries**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**For the year ended 31 December 2022**

| | Notes | **2022** **AED'000** | 2021 AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 6 | **1,648,737** | 1,428,630 |
| Investment properties | 7 | **1,559,016** | 1,568,192 |
| Investment properties under development | 8 | **44,299** | 65,197 |
| Trading properties under development | 9 | **1,501,472** | 1,521,038 |
| Investments | 10 | **40,108** | 91,222 |
| Trade receivables, prepayments and other receivables | 11 | **491,534** | 511,162 |
| | | **5,285,166** | 5,185,441 |
| **Current assets** | | | |
| Trading properties under development | 9 | **195,190** | 290,289 |
| Inventories | | **1,380** | 911 |
| Investments | 10 | **5,447** | 9,087 |
| Trading properties | 12 | **42,140** | 26,114 |
| Trade receivables, prepayments and other receivables | 11 | **292,967** | 233,498 |
| Bank balances and cash | 13 | **492,779** | 468,978 |
| | | **1,029,903** | 1,028,877 |
| **TOTAL ASSETS** | | **6,315,069** | 6,214,318 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14 | **2,000,000** | 2,000,000 |
| Statutory reserve | 15 | **1,000,000** | 1,000,000 |
| Other reserves | 16 | **713,112** | 704,832 |
| Retained earnings | | **409,057** | 402,578 |
| **TOTAL EQUITY** | | **4,122,169** | 4,107,410 |
| **Non-current liabilities** | | | |
| Employees' end-of-service benefits | 17 | **4,051** | 3,038 |
| Bank borrowings | 18 | **806,030** | 771,161 |
| Deferred government grants | 7 | **388,484** | 402,859 |
| Trade payable, accruals and other liabilities | 19 | **19,686** | 33,040 |
| | | **1,218,251** | 1,210,098 |
| **Current liabilities** | | | |
| Bank borrowings | 18 | **547,251** | 566,881 |
| Trade payable, accruals and other liabilities | 19 | **427,398** | 329,929 |
| | | **974,649** | 896,810 |
| **TOTAL LIABILITIES** | | **2,192,900** | 2,106,908 |
| **TOTAL EQUITY AND LIABILITIES** | | **6,315,069** | 6,214,318 |

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2023 and signed on their behalf by:

Abdul Aziz Abdullah Al Zaabi
Chairman

Sameh Muhtadi
Chief Executive Officer

The attached notes 1 to 32 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS
**For the year ended 31 December 2022**

| | *Notes* | ***2022 AED'000*** | *2021 AED'000* |
|---|---|---|---|
| Revenue | 20 | **408,219** | 515,624 |
| Cost of revenue | 21 | **(267,714)** | (320,692) |
| **GROSS PROFIT** | | **140,505** | 194,932 |
| Other income | 22 | **26,808** | 67,201 |
| Selling, marketing and administrative expenses | 23 | **(99,854)** | (46,090) |
| Net change in fair value of investment properties | 7 | **29,425** | 2,552 |
| Write down of trading properties under development | 9 | **(25,858)** | (254) |
| Write down of trading properties | 12 | **-** | (1,393) |
| **OPERATING PROFIT** | | **71,026** | 216,948 |
| Dividend income | 10 | **469** | 596 |
| Net change in fair value of investments through profit or loss | | **(665)** | (3,745) |
| Provision for expected credit losses | 11 | **(5,231)** | (6,626) |
| Finance income | | **6,812** | 7,013 |
| Finance costs | 24 | **(41,622)** | (12,713) |
| **PROFIT FOR THE YEAR** | | **30,789** | 201,473 |
| *Earnings per share attributable to the owners of the Company* | | | |
| Basic and diluted earnings per share (AED) | 25 | **0.015** | 0.10 |

The attached notes 1 to 32 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 31 December 2022**

| | ***2022*** ***AED'000*** | *2021* *AED'000* |
|---|---|---|
| **Profit for the year** | **30,789** | 201,473 |
| Other comprehensive income: | | |
| *Items that will not be reclassified to profit or loss in subsequent periods:* | | |
| Net change in fair value of equity investments at fair value through other comprehensive income | **(9,822)** | (1,866) |
| Other comprehensive loss for the year | **(9,822)** | (1,866) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **20,967** | 199,607 |

The attached notes 1 to 32 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
**For the year ended 31 December 2022**

| | *reserve AED '000* | *reserve AED '000* | *earnings AED '000* | *reserves AED '000* | *Equity AED '000* |
|---|---|---|---|---|---|
| At 1 January 2021 | 2,000,000 | 1,000,000 | 527,927 | 382,876 | 3,910,803 |
| Profit for the year | - | - | 201,473 | - | 201,473 |
| Other comprehensive loss for the year | - | - | - | (1,866) | (1,866) |
| Total comprehensive income for the year | - | - | 201,473 | (1,866) | 199،607 |
| Board of Directors' remuneration (note 26) | - | - | (3,000) | - | (3,000) |
| Transfer to other reserves (note 16) | - | - | (323,882) | 323,822 | - |
| At 31 December 2021 | 2,000,000 | 1,000,000 | 402,578 | 704,832 | 4,107,410 |
| Profit for the year | - | - | 30,789 | - | 789,30 |
| Other comprehensive loss for the year | - | - | - | (9,822) | (9,822) |
| Total comprehensive income for the year | - | - | 30,789 | (9,822) | 20,967 |
| Transfer on sale of investments carried at fair value through other comprehensive income | - | - | (14,518) | 14,518 | - |
| Board of Directors' remuneration (note 26) | - | - | (6,000) | - | (6,000) |
| Transfer to other reserves (note 16) | - | - | (3,792) | 3,792 | - |
| Utilisation of reserves | - | - | - | (208) | (208) |
| **At 31 December 2022** | **2,000,000** | **1,000,000** | **409,057** | **713,112** | **4,122,169** |

The attached notes 1 to 32 form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS
**For the year ended 31 December 2022**

| | Notes | **2022 AED'000** | 2021 AED'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the year | | **30,789** | 201,473 |
| Adjustments for non cash items: | | | |
| Depreciation | 6 | **32,906** | 10,032 |
| Finance income | | **(6,812)** | (7,013) |
| Finance cost | 24 | **41,622** | 12,713 |
| Dividend income | | **(469)** | (596) |
| Net change in fair value of investments at fair value through profit or loss | | **665** | 3,745 |
| Gain on disposal of investments | 22 | **(927)** | (5,000) |
| Net change in fair value of investment properties | 7 | **(29,425)** | (2,552) |
| Write down of trading properties under development | 9 | **25,858** | 254 |
| Write down of trading properties | 12 | **-** | 1,393 |
| Loss on disposal of property and equipment | | **-** | (90) |
| Expected credit losses on trade, contract and other receivables | 11 | **5,231** | 6,626 |
| Provision for employees' end of service benefits | 17 | **1,275** | 950 |
| Income from government grant | 22 | **(14,374)** | (58,169) |
| | | **86,339** | 163,766 |
| Changes in working capital: | | | |
| Trading properties | | **6,173** | 35,767 |
| Trading properties under development | | **144,403** | 75,018 |
| Trade receivables, prepayments and other receivables | | **(47,126)** | (258,327) |
| Inventories | | **(469)** | (212) |
| Trade payable, accruals and other liabilities | | **66,855** | 27,748 |
| | | **256,175** | 43,760 |
| Employees' end of service benefits paid | 17 | **(262)** | (1,882) |
| Net cash flows generated from operating activities | | **255,913** | 41,878 |
| **INVESTING ACTIVITIES** | | | |
| Additions to property and equipment | | **(238,490)** | (266,063) |
| Interest received | | **5,691** | 7,425 |
| Dividend received | | **469** | 596 |
| Proceed from disposal of property and equipment | | **-** | 91 |
| Addition in investment properties | | **-** | (478) |
| Proceeds from disposal of investments at fair value through profit or loss | | **- 45,193** | - 5,296 |
| Additions to investment properties under development | 8 | **(7,478)** | (9,431) |
| Net cash flows used in investing activities | | **(194,615)** | (262,564) |
| **FINANCING ACTIVITIES** | | | |
| Dividend paid | | **(4,145)** | (129) |
| Borrowings availed | 30 | **423,769** | 257,581 |
| Borrowings repaid | 30 | **(360,656)** | (75,934) |
| Interest paid | | **(38,446)** | (14,965) |
| Board of directors' remuneration paid | | **(6,000)** | (3,000) |
| Net cash generated from financing activities | | **14,522** | 163,553 |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **75,820** | (57,133) |
| Cash and cash equivalents at the beginning of the year | 13 | **(76,947)** | (19,814) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 13 | **(1,127)** | (76,947) |

The attached notes 1 to 32 form part of these consolidated financial statements.

## 1 REPORTING ENTITY

RAK Properties PJSC ("the Company") is a public joint stock company established under Amiree 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 on 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 2022 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.

## 2 BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention basis except for investment properties, investment properties under development 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 United 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:

| Name of Subsidiary | Parent Company | Country of incorporation | Ownership interest | |
|---|---|---|---|---|
| | | | **2022** | 2021 |
| RAK Properties International Limited | RAK Properties PJSC | United Arab Emirates | **100%** | 100% |
| Lagoon Marina Ship Management and Operation L.L.C. | RAK Properties PJSC | United Arab Emirates | **100%** | 100% |
| Intercontinental RAK Mina Al Arab Resorts & Spa L.L.C* | RAK Properties PJSC | United Arab Emirates | **100%** | 100% |
| RAK Properties Tanzania Limited | RAK Properties International Limited | Tanzania | **100%** | 100% |
| Dolphin Marina Limited | RAK Properties Tanzania Limited | Tanzania | **100%** | 100% |
| RAK Properties Gayreimenkul Pazarlama Anonim Sirketi** | RAK Properties PJSC | Turkey | **100%** | - |

*** Incorporated on 11 May 2022.*
** Incorporated on 19 May 2021*

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

## 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 year 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, non-controlling 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Significant accounting judgements and estimates**
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.

***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:

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgements and estimates (continued)

### *Judgements* (continued)

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

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

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

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

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

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

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

*(ii) 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 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgements and estimates (continued)

### *Judgements (continued)*

*(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.

### 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 and investment properties under development*
The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation methods. These methods comprise the sales comparable method and discounted cash flow method. The discounted cash flow method requires the use of estimates such as future cash flows from assets (comprising of 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 7 and note 8 for the fair valuation of investment properties and investment properties under development, respectively.

*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.

*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 29 for estimates applied and amount involved.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant accounting judgements and estimates (continued)

### Revenue recognition
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 control transfers.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

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

- *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, 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.

  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.

- *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 the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when he 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 fullfillement of the customer order and provision of services to customers.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

*(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.

*(e) Forfeiture income*
Forfeiture income is recognised in the consolidated statement of profit or loss when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms.

### *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.

### 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.

### 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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:

| | *Years* |
|---|---|
| Buildings | 20 – 40 |
| Hotel equipment | 15 |
| Furniture and fixtures | 4 |
| Computer and office equipment | 4 |
| Motor vehicles | 4 |

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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investment properties and investment properties under development

*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 investment properties under development.

*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.

### 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 work-in-progress comprises construction costs and other related direct/ operating costs. Net realisable value is the estimated selling price in the ordinary course of the business, less cost of completion and selling expenses.

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 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### *(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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

### *(ii) Subsequent measurement (continued)*

*Financial assets at fair value through profit or loss (continued)*

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 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.

### *(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.

1. 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.
2. 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.
3. 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

### *(iii) Impairment of financial assets (continued)*

*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.

### *(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 intension to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

### 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 as other income 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.

### 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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% 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 it is disclosed as a non-current liability.

*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.

### 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currency (continued)

***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.

### Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

### 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.

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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fair value measurement (continued)**
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.

### 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.

### 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.

### 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.

### 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

## 4 CHANGES IN ACCOUNTING POLICIES

### New and amended standards and interpretations

The Group applied for the first-time certain new standards, amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2022.

*Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

These amendments had no impact on the consolidated financial statements of the Group as there were no onerous contracts.

*Reference to the Conceptual Framework – Amendments to IFRS 3*
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

## 4 CHANGES IN ACCOUNTING POLICIES (continued)

### New and amended standards and interpretations (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Group as it is not a first time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

### Standards, amendments and interpretations issued but not yet effective
The new and amended standards and interpretations that are issued as at 31 December 2022, but are not yet effective,are disclosed below; if they are expected to have an impact on the Group's consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become applicable

- IFRS 17 Insurance Contracts
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

## 5 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.

### (i) 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.

An analysis of the Group's credit risk exposure for trade, contract and other receivables has been disclosed in note 30.1.

### (ii) 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, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is further explained in note 30.2.

### (iii) 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.

The Group does not have any significant exposure to foreign currency risk since the majority of transactions are denominated in AED, US Dollars or other currencies, whereby the US Dollar or other currencies are currently pegged to US Dollar.

## 5 FINANCIAL RISK MANAGEMENT, OBJECTIVE AND POLICIES (continued)

### (iii) Market risk (continued)

*b. Interest rate risk*
Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk is subject to changes in EIBOR rates (note 30.4).

*c. Equity price risk*
The Group is exposed to equity securities price risk through investments held by the Group and classified as equity instrument at fair value (note 30.3).

### (iv) Capital management

For the purpose of the Group's capital management, capital includes issued share capital, 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. The Group targets to maintain the net equity above AED 3,500,000 thousand.

## 6 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 2021 | 517,367 | 166,898 | - | 4,789 | 8,747 | 1,241 | 548,240 | 1,247,282 |
| Additions | - | 2,330 | - | 67 | 642 | - | 263,024 | 266,063 |
| Transfers | 44,231 | - | - | - | - | - | (44,231) | - |
| Disposals | - | - | - | - | (2) | (412) | - | (414) |
| At 31 December 2021 | 561,598 | 169,228 | - | 4,856 | 9,387 | 829 | 767,033 | 1,512,931 |
| Additions | - | 2,384 | - | 581 | 602 | 536 | 234,178 | 238,281 |
| Transfers | - | 498,634 | 37,829 | 27,298 | - | - | (563,761) | - |
| Transfer from investment properties under development (note 8) | - | 14,732 | - | - | - | - | - | 14,732 |
| **At 31 December 2022** | **561,598** | **684,978** | **37,829** | **32,735** | **9,989** | **1,365** | **437,450** | **1,765,944** |
| Accumulated depreciation: | | | | | | | | |
| As at 1 January 2021 | - | 61,934 | - | 4,386 | 7,267 | 1,095 | - | 74,682 |
| Charge for the year | - | 9,129 | - | 141 | 697 | 65 | - | 10,032 |
| Disposals | - | - | - | - | (1) | (412) | - | (413) |
| At 31 December 2021 | - | 71,063 | - | 4,527 | 7,963 | 748 | - | 84,301 |
| Charge for the year | - | 23,663 | 2,233 | 6,205 | 702 | 103 | - | 32,906 |
| **At 31 December 2022** | **-** | **94,726** | **2,233** | **10,732** | **8,665** | **851** | **-** | **117,207** |
| Net book value: | | | | | | | | |
| **As at 31 December 2022** | **561,598** | **590,252** | **35,596** | **22,003** | **1,324** | **514** | **437,450** | **1,648,737** |
| As at 31 December 2021 | 561,598 | 98,165 | - | 329 | 1,424 | 81 | 767,033 | 1,428,630 |

## 6 PROPERTY AND EQUIPMENT (continued)

The depreciation charge has been allocated as follows:

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| Cost of sales | **6,448** | 1,550 |
| Selling, marketing and administrative expenses (note 23) | **26,458** | 8,482 |
| **At 31 December** | **32,906** | 10,032 |

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

During the year, effective 10 February 2022 the Group has commenced operations of a hotel property pursuant to which capital work in progress amounting to AED 563,761 thousand has been capitalized during the year. The depreciation associated with such hotel property amounted to AED 22,601 thousand (2021: Nil).

Capital work-in-progress represents expenditure incurred on the construction of a hotel, which is intended to be used according to the Group's relevant business model. The construction work on this hotel is ongoing at the reporting date and management expects to start the operation of this hotel in FY 2023. Capital work in progress includes borrowing cost capitalised during the year amounting to AED 19,166 thousand (2021: AED 26,839 thousand), calculated using an average capitalisation rate of 5.21% (2021: 3.80%).

Property and equipment pertaining to a hotel property with net book value of AED 664,578 thousand as at 31 December 2022 and certain other items of property and equipment are mortgaged against bank borrowings (note 18).

## 7 INVESTMENT PROPERTIES

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| At 1 January | **1,568,192** | 2,475,237 |
| Change in fair value | **29,425** | 2,552 |
| Transfer from investment properties under development (note 8) | **-** | 255,876 |
| Transfer to trading properties under development (note 9) | **(41,953)** | (1,164,559) |
| Transfer from / (to) trading properties (note 12) | **3,352** | (914) |
| **At 31 December** | **1,559,016** | 1,568,192 |

Investment property comprises land parcels and a number of residential and commercial properties that are leased to third parties. The Group has no restrictions on the realisability of its investment properties and no significant contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

| | 2022<br>AED '000 | 2021<br>AED '000 |
|---|---|---|
| Rental income derived from investment properties (note 20) | **28,857** | 28,649 |
| Direct operating expenses generating rental income (note 21) | **(3,148)** | (1,193) |
| **Net income arising from investment properties carried at fair value** | **25,709** | 27,456 |

## 7 INVESTMENT PROPERTIES (continued)

*Description of the valuation techniques used and key inputs to the valuation of Investment Properties*
The fair values of the investment properties are arrived on the basis of a valuation carried out by independent valuers not related to the Group. 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*** | ***Significant unobservable inputs*** |
|---|---|
| Discounted cash flow method<br>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. | Based on the type and location of the property, the value of each of the properties has been determined by assuming discount rates of 10% to 12% (2021: 11% to 12%) and exit cap rates of 8% to 8.5% (2021: 8% to 8.5%)(discounted cash flow method).<br><br>The fair value for the properties valued under the discounted cash flow method are sensitive to the change in the above factors. |
| Sales comparable method<br>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. | Prices of land parcels range from AED 4 per square foot to AED 1,312 per square foot (2021: AED 4 per square foot to AED 1,289 per square foot).<br><br>Prices of commercial properties range from AED 300 per square foot to AED 1,721 per square foot (2021: AED 300 per square foot to AED 1,667 per square foot). |

Investment properties are located in United Arab Emirates.

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 plot of lands undergo development.

The Group has accounted for the portion of land granted as deferred government grant. This deferred government grant will be released on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities. During the current year, management has recognised AED 14,374 thousand (2021: AED 58,169 thousand) to the consolidated statement of profit or loss. Remaining amount of deferred government grant as at 31 December 2022 is AED 388,484 thousand (2021: AED 402,859 thousand).

During the year the management has reassessed the use of certain investment properties. In the view of the Board of Director, these properties with an associated cost of AED 41,953 thousand will be developed and directly sold. Accordingly, the value of such properties has been transferred to trading properties under development during the year ended 31 December 2022 (2021 : AED 1,164,559 thousand).

Certain items of investment properties are mortgaged against bank borrowings (note 18).

## 8 INVESTMENT PROPERTIES UNDER DEVELOPMENT

| | ***2022*** ***AED '000*** | *2021* *AED '000* |
|---|---|---|
| At 1 January | **65,197** | 311,642 |
| Cost incurred | **7,478** | 9,431 |
| Transferred to investment properties (noted 7) | **-** | (255,876) |
| Transferred to property and equipment (note 6) | **(14,732)** | - |
| Transferred to trading properties under development (note 9) | **(13,644)** | - |
| **At 31 December** | **44,299** | 65,197 |

Cost incurred include borrowing cost capitalised amounted to AED 2,476 thousand (2021: AED 1,368 thousand), calculated using an average capitalisation rate of 5.17% (2021: 3.81%).

Investment properties under development are located in United Arab Emirates. The Group has no restrictions on the realisability of its investment properties and no significant contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

*Description of the valuation techniques used and key inputs to the valuation of Investment Properties under Development*
The fair values of the investment properties under development are arrived at on the basis of a valuation carried out by independent 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 under development has been categorised as Level 3 fair value based on the inputs to the valuation technique used. The value of the investment properties under development has been determined through analysis of the following:

| ***Valuation technique underlying management's estimation of fair value*** | ***Significant unobservable inputs*** |
|---|---|
| Discounted cash flow method<br>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. | Based on the type and location of the property, the value of each of the properties has been determined by assuming discount rates of 10% to 12% (2021: 11% to 12%) and exit rates of 8% to 8.5% (2021: 8% to 8.5%).<br><br>The fair value for the properties valued under the discounted cash flow method are sensitive to the change in the above factors. |
| Sales comparable method<br>This method involves analysing sales and asking prices of similar units and comparing these to the subject property. Comparative analysis isolates similarities in the property rights appraised, market conditions, size, location and physical features. | Prices ranges from AED 140 per square foot to AED 215 per square foot (2021: AED 135 per square foot to AED 177 per square foot) . |

Certain items of investment properties under development are mortgaged against bank borrowings (note 18).

## 9 TRADING PROPERTIES UNDER DEVELOPMENT

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| At 1 January | **1,811,327** | 722,041 |
| Cost incurred | **34,301** | 152,862 |
| Cost of properties sold | **(62,771)** | (227,881) |
| Transfer from investment properties (note 7) | **41,953** | 1,164,559 |
| Transfer from investment properties under development (note 8) | **13,644** | - |
| Impairment | **(25,858)** | (254) |
| Transfer to trading properties (note 12) | **(115,934)** | - |
| **At 31 December** | **1,696,662** | 1,811,327 |

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| Inside UAE | **1,680,559** | 1,795,224 |
| Outside UAE | **16,103** | 16,103 |
| | **1,696,662** | 1,811,327 |
| Less: classified as current assets | **(195,190)** | (290,289) |
| Classified as non-current assets | **1,501,472** | 1,521,038 |

As at 31 December 2022, the Group determined net realisable value of trading properties under development. The estimates of net realisable value 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. These estimates also take into consideration the purpose for which such properties are held. The determination of net realisable value of trading properties in 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.

Certain items of trading properties under development are mortgaged against bank borrowings (note 18).

During the year, Board of Directors decided to write down net realisable value of AED 25,858 thousand (2021: AED 254 thousand) based on an independent valuation of net realisable value of trading properties under development.

Trading properties under development include lands held for future development and use amounting to AED 1,465,121 thousand (2021: AED 1,509,922 thousand) based on the business plans approved by the Board of Directors.

Cost of revenue of AED 62,771 thousand (2021: AED 227,881 thousand) has been recognised within cost of revenue in the consolidated statement of profit or loss.

## 10 INVESTMENTS

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| ***Non-current investments*** | | |
| *At fair value through other comprehensive income* | | |
| *Investments within UAE* | | |
| Unquoted equity investments | **6,098** | 4,374 |
| *Investments outside UAE* | | |
| Unquoted equity investments | **17,565** | 19,421 |
| Unquoted real estate funds | **16,445** | 26,448 |
| Quoted securities | **-** | 40,979 |
| | **40,108** | 91,222 |

## 10 INVESTMENTS (continued)

| | **2022** **AED '000** | *2021* *AED '000* |
|---|---|---|
| ***Current investments*** | | |
| *At fair value through profit or loss* | | |
| *Investments within UAE* | | |
| Quoted securities | **-** | 2,975 |
| *Investments outside UAE* | | |
| Unquoted equity investments | **5,447** | 6,112 |
| | **5,447** | 9,087 |

During the year, dividend income received from these investments amounted to AED 469 thousand (2021: AED 596 thousand).

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

| | **2022** **AED '000** | *2021* *AED '000* |
|---|---|---|
| At 1 January | **56,355** | 82,637 |
| Disposals | **(126)** | (297) |
| Change in fair value, net | **(10,674)** | (25,985) |
| **At 31 December** | **45,555** | 56,355 |

The details of valuation techniques and assumptions applied for the measurement of fair value of investments are mentioned in note 29.

## 11 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

| | **2022** **AED '000** | *2021* *AED '000* |
|---|---|---|
| Trade receivables (note 20) | **524,550** | 244,055 |
| Advances to suppliers and contractors | **73,654** | 68,741 |
| Contract assets (note 20) | **159,521** | 417,655 |
| VAT receivables | **4,179** | 5,512 |
| Other receivables | **44,245** | 25,114 |
| | **806,149** | 761,077 |
| Less: Provision for expected credit losses | **(21,648)** | (16,417) |
| | **784,501** | 744,660 |
| Less: Non-current portion | **(491,534)** | (511,162) |
| | **292,967** | 233,498 |

Advances to suppliers and contractors includes amounts advanced to a related party of Nil (2021: AED 779 thousand) (note 26).
Included in advances to suppliers and contractors is an advance paid to a real estate agent of AED 18,841 thousand for purchase of land parcels in Abu Dhabi. The legal formalities for purchase of such land parcels is in progress and is expected to be completed during the year ending 2023.

## 11 TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Trade receivables are backed by post-dated cheques amounting to AED 460,007 thousand (2021: AED 209,657 thousand)

| | **2022** | 2021 |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| *Movements in provision for expected credit losses:* | | |
| At 1 January | **16,417** | 9,791 |
| Provision for impairment allowance | **5,231** | 6,626 |
| At 31 December | **21,648** | 16,417 |

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

| | | *Neither past due nor impaired* | *Past due but not impaired* | | | |
|---|---|---|---|---|---|---|
| | *Total* | | *0-30 days* | *30-60 days* | *60-90 days* | *>90 days* |
| | *AED '000* | *AED '000* | *AED '000* | *AED '000* | *AED '000* | *AED '000* |
| **2022** | **684,071** | **602,922** | **44,934** | **2,321** | **187** | **33,707** |
| 2021 | 661,710 | 613,880 | 37,549 | 2,011 | 466 | 7,804 |

Refer note 30 for details on associated credit risks against the above trade and other receivables

## 12 TRADING PROPERTIES

| | **2022** | 2021 |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| At 1 January | **26,114** | 61,881 |
| Transferred (to) / from investment properties (note 7) | **(3,352)** | 914 |
| Transferred from advance to suppliers | **-** | 17,403 |
| Cost incurred | **31,627** | 341 |
| Cost of properties sold | **(128,183)** | (53,032) |
| Impairment | **-** | (1,393) |
| Transfer from trading properties under development (note 9) | **115,934** | - |
| **At 31 December** | **42,140** | 26,114 |

| | **2022** | 2021 |
|---|---|---|
| ***Current:*** | ***AED '000*** | *AED '000* |
| Inside UAE | **27,667** | 10,104 |
| Outside UAE | **14,473** | 16,010 |
| | **42,140** | 26,114 |

As at 31 December 2022, 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. 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 2021, the Board of Directors decided to write down net realisable value amounting to AED 1,393 thousand based on an independent valuation of net realisable value of trading properties under development.

Certain items of trading properties are mortgaged against bank borrowings (note 18).

## 13 BANK BALANCES AND CASH

| | **2022** | 2021 |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| Cash in hand | **288** | 17 |
| Bank balances: | | |
| - Current accounts | **50,747** | 25,108 |
| - Call accounts | **2,749** | 713 |
| - Current accounts – unclaimed dividends | **38,995** | 43,140 |
| - Term deposits | **400,000** | 400,000 |
| | **492,779** | 468,978 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| Bank balances and cash | **492,779** | 468,978 |
| Less: Current accounts – unclaimed dividends | **(38,995)** | (43,140) |
| Less: Bank overdraft (note 18) | **(454,911)** | (502,785) |
| Cash and cash equivalent at the end of the year | **(1,127)** | (76,947) |

Current accounts - unclaimed dividends will be utilised only for the payment of dividend and cannot be used for any other purposes.

Bank balances include term deposits amounting to AED 400,000 thousand (2021: AED 400,000 thousand) with an maturity period of less than three months. The effective average interest rate on deposits is 0.2 % to 3% per annum (2021: 0.2 % to 1.75% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank borrowings (note 18).

## 14 SHARE CAPITAL

| | **2022** | 2021 |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| Authorised, issued and fully paid up<br>2,000,000,000 shares (2021: 2,000,000,000 shares)<br>of par value of AED 1 each | **2,000,000** | 2,000,000 |

## 15 STATUTORY RESERVE

In accordance with UAE Federal 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. No transfer was made to statutory reserve during the current year and for the year ended 31 December 2021 as the balance in the reserve has reached 50% of paid up share capital of the Company (2021: Nil).

## 16 OTHER RESERVES

| | *General reserve AED'000* | *Development reserve AED'000* | *Fair value reserve AED'000* | *Others AED'000* | *Total AED'000* |
|---|---|---|---|---|---|
| At 1 January 2021 | 613,300 | - | (230,424) | - | 382,876 |
| Other comprehensive income for the year | - | - | (1,866) | - | (1,866) |
| Total comprehensive income for the year | - | - | (1,866) | - | (1,866) |
| Transfer from retained earnings | 20,147 | 303,675 | - | - | 323,822 |
| At 31 December 2021 | 633,447 | 303,675 | (232,290) | - | 704,832 |
| Other comprehensive income for the year | - | - | (9,822) | - | (9,822) |
| Total comprehensive income for the year | - | - | (9,822) | - | (9,822) |
| Transfer on sale of investments carried at fair value through other comprehensive income | - | - | 14,518 | - | 14,518 |
| Transfer from retained earnings | 3,079 | - | - | 713 | 3,792 |
| Utilisation of reserves | - | - | - | (208) | (208) |
| **At 31 December 2022** | **636,526** | **303,675** | **(227,594)** | **505** | **713,112** |

### Nature and purpose of other reserves

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

**Development reserve**
In accordance with the Company's Articles of Association and pursuant to the approval of the Board of Directors, a development reserve has been created during the year which will be utilised for future development and maintenance of facilities at various properties owned by the Group. During the year, there is no movement in the development reserve (2021: AED 303,675 thousand).

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

## 17 EMPLOYEES' END OF SERVICE BENEFITS

| | ***2022*** ***AED '000*** | *2021* *AED '000* |
|---|---|---|
| At 1 January | **3,038** | 3,970 |
| Charge for the year | **1,275** | 950 |
| Payments made during the year | **(262)** | (1,882) |
| At 31 December | **4,051** | 3,038 |

## 18 BANK BORROWINGS

| | ***2022*** ***AED '000*** | *2021* *AED '000* |
|---|---|---|
| Term loan | **898,370** | 835,257 |
| Bank overdraft (note 13) | **454,911** | 502,785 |
| Total borrowings | **1,353,281** | 1,338,042 |
| Less: current portion | **(547,251)** | (566,881) |
| Non-current portion | **806,030** | 771,161 |

The Group has obtained overdraft facility of AED 540,000 thousand (2021: AED 540,000 thousand) from commercial banks. Interest on the overdraft are 0.25% to 0.5% per annum over term deposit rates, which are used as security against the overdraft balance. Further, for unsecured bank overdraft, interest is computed at a fixed margin + 3 months (EIBOR) per annum. The balance outstanding as at 31 December 2022 amounted to AED 454,911 thousand (2021: AED 502,785 thousand).

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 400,000 thousand (note 13);
- To route funds 1.5 times of the net clean limit utilised under the overdraft. (On 31 December 2022, the net clean limit utilised was AED 56,596 thousand (31 December 2021: AED 94,369 thousand).

The Group has obtained the following loans:

- Term loan of AED 358,000 thousand from a commercial bank to finance the construction of the 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. The outstanding balance at 31 December 2022 amounted to AED 335,413 thousand (2021: AED 320,410 thousand). There is no available drawdown limit on 31 December 2022 (2021: AED 37,950 thousand).

- Term loan facility of AED 250,000 thousand from a commercial bank to finance the construction of the 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 outstanding balance at 31 December 2022 amounted to AED 191,131 thousand (2021: AED 112,957 thousand). Available drawdown limit on 31 December 2022 amounted to AED 36,338 thousand (2021: AED 137,043 thousand).

## 18 BANK BORROWINGS (continued)

- Term loan facility of AED 185,000 thousand from a commercial bank to finance the construction of residential villas project. The facility is repayable in 19 equal quarterly instalments commencing 2 years 6 months from the date of first drawdown and carries an interest rate of fixed margin over 1 months EIBOR. The outstanding balance at 31 December 2022 amounted to AED 101,057 thousand (2021: AED 162,999 thousand). There is no available drawdown limit on 31 December 2022 (2021: AED 22,001 thousand).

- During the period, the Company has replaced one of existing loans with new lease rental discounting loan of USD 74,871 thousand (AED 275,000 thousand) availed from a commercial bank in UAE. The new loan is repayable over a period of ten years in 39 equal instalments and final instalment (40th) of USD 29,948 thousand and carry interest at USD secured overnight financing rate (SOFR) plus a fixed margin. The outstanding balance at 31 December 2022 amounted to USD 73,719 thousand (AED 270,769 thousand). There is no available drawdown limit on 31 December 2022 (2021: Nil).

As at 31 December 2022, 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 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, investment properties under development, trading properties under development and trading properties (note 6, 7, 8 and 12).
- 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.

## 19 TRADE PAYABLE, ACCRUALS AND OTHER LIABILITIES

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| Trade payables | **90,145** | 100,279 |
| Project accruals | **50,536** | 40,906 |
| Contract liabilities (note 20) | **32,065** | 37,388 |
| Unclaimed dividends | **38,995** | 43,140 |
| Advance connection charges | **141,559** | 68,758 |
| Other payables and accruals | **93,784** | 72,498 |
| At 31 December | **447,084** | 362,969 |
| Less: Non-current portion | **(19,686)** | (33,040) |
| Current portion | **427,398** | 329,929 |

Trade payables includes amounts due to a related party of AED 31,315 thousand (2021: AED 52,122 thousand) (note 26).

## 20 REVENUE

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| **Type of revenue from contracts with customers** | | |
| Sale of properties | **279,588** | 459,647 |
| Rooms revenue | **42,755** | - |
| Food, beverages and other income | **28,634** | - |
| Facility management income | **26,158** | 26,013 |
| Forfeiture income | **2,227** | 1,315 |
| **Total revenue from contracts with customers** | **379,362** | 486,975 |
| **Other operating income** | | |
| Leasing income (note 7) | **28,857** | 28,649 |
| **Total revenue** | **408,219** | 515,624 |

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| **Timing of revenue recognition** | | |
| Recognised at a point in time | **191,058** | 66,596 |
| Recognised over a period of time | **188,304** | 420,379 |
| **Total revenue from contracts with customers** | **379,362** | 486,975 |
| Leasing income | **28,857** | 28,649 |
| **Total revenue** | **408,219** | 515,624 |

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| **Contract balances** | | |
| Trade receivables (note 11) | **524,550** | 244,055 |
| Contract assets (note 11) | **159,521** | 417,655 |
| Contract liabilities (note 19) | **32,065** | 37,388 |

*Contract assets*
Contract assets are initially recognised for revenue earned from sale of undeveloped properties as receipt of consideration is conditional on acceptance of the customer. Upon acceptance by the customer, the amounts recognised as contract assets are reclassified to 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.

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

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| Within one year | **174,318** | 40,054 |
| More than one year | **117,709** | 36,797 |
| | **292,027** | 76,851 |

## 21 COST OF REVENUE

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| Cost of sale of properties | **201,639** | 293,867 |
| Hotel operations expenses | **31,535** | - |
| Facility management expenses | **31,036** | 25,339 |
| Leasing expenses (note 7) | **3,148** | 1,193 |
| Others | **356** | 293 |
| | **267,714** | 320,692 |

Facility management expenses include depreciation expense amounting to AED 6,448 thousand (2021: AED 1,550 thousand) (note 6).

Hotel operation expenses include cost of food and beverages of AED 9,846 thousand and staff cost of AED 14,878 thousand (2021: Nil).

## 22 OTHER INCOME

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| Government grant income (note 7) | **14,374** | 58,169 |
| Gain on disposal of investments | **927** | 5,000 |
| Late payment fee | **4,630** | 4,032 |
| Others | **6,877** | - |
| | **26,808** | 67,201 |

*Other income includes delay penalty charged to subcontractor for completed project amounting to AED 6,877 thousand (2021: Nil).

## 23 SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

| | ***2022*** | *2021* |
|---|---|---|
| | ***AED '000*** | *AED '000* |
| Payroll and related expenses | **32,453** | 19,208 |
| Depreciation of property and equipment (note 6) | **26,458** | 8,482 |
| Advertisement and marketing expenses | **17,046** | 6,595 |
| Utility and maintenance expenses | **16,480** | - |
| Deposits written off | **-** | 6,264 |
| Other expenses | **7,417** | 5,541 |
| | **99,854** | 46,090 |

No social contributions was made during the year (2021: nil).

## 24 FINANCE COSTS

| | **2022 AED '000** | *2021 AED '000* |
|---|---|---|
| Interest on borrowings | **38,816** | 11,866 |
| Bank charges | **2,806** | 847 |
| | **41,622** | 12,713 |

Interest cost related to hotel properties under construction amounted to AED 19,166 (2021: AED 26,389) which have been capitalised under capital work in progress (note 6).

## 25 EARNINGS PER SHARE

The basic and diluted earnings per share is as follows

| | **2022 AED '000** | *2021 AED '000* |
|---|---|---|
| Profit for the year (AED'000) | **30,789** | 201,473 |
| Number of shares (in'000) | **2,000,000** | 2,000,000 |
| Basic and diluted earnings per share (AED) | **0.015** | 0.10 |

There was no dilution effect on the basic earnings per share, as the Company does not have any such outstanding commitments as at the reporting dates.

## 26 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.

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

| | **2022 AED '000** | *2021 AED '000* |
|---|---|---|
| *Key management personnel of the Group (Director's interests):* | | |
| Sub-contracting and purchase of services | **4,740** | 321,858 |
| Sale of properties | **-** | 3,057 |

*b. Balances with related parties are as follows:*

| | **2022 AED '000** | *2021 AED '000* |
|---|---|---|
| Due to a related party - trade payables (note 19) | **31,315** | 52,122 |
| Due from related parties – trade receivables, prepayments and other receivables (note 11) | **-** | 779 |

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

Refer note 27 for details of commitments to related parties.

## 26 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

*c. Compensation of key management personnel:*

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

| | ***2022*** ***AED '000*** | *2021* *AED '000* |
|---|---|---|
| Salaries and benefits | **7,253** | 5,076 |
| End of service benefits | **417** | 319 |
| Board of Directors' remuneration | **6,000** | 3,000 |
| | **13,670** | 8,395 |

The Directors have proposed the Board of Directors' remuneration of AED 3,000 thousand (2021: AED 6,000 thousand). This is subject to approval by the Shareholders at the Annual General Meeting and have not been included as a liability in these consolidated financial statements.

## 27 COMMITMENTS

Significant commitments relating to the property development are as follows:

| | ***2022*** ***AED '000*** | *2021* *AED '000* |
|---|---|---|
| Approved and contracted | **370,659** | 275,635 |

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

The above does not include any commitments to related parties (2021: AED 9,937 thousand) (note 26).

## 28 DIVIDENDS

The Board of Directors have not proposed any dividend for the year ended 31 December 2022 (2021: Nil).

## 29 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.

## 29 FAIR VALUE MEASUREMENTS (continued)

*Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)*

### *Financial assets*

| **Type** | ***Valuation techniques and key inputs*** | ***Significant unobservable inputs*** | ***Inter-relationship of unobservable inputs to fair value*** |
|---|---|---|---|
| Unquoted equity investments and funds at FVOCI | 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. |
| Unquoted investments 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*** |
|---|---|---|---|---|
| **2022** | | | | |
| Fair value through other comprehensive income | | | | |
| *Unquoted equities and funds* | - | - | **40,108** | **40,108** |
| Financial assets carried at FVTPL | - | - | **5,447** | **5,447** |
| Investment properties | - | - | **1,559,016** | **1,559,016** |
| Investment properties under development | - | - | **44,299** | **44,299** |
| | - | - | **1,648,870** | **1,648,870** |

## 29 FAIR VALUE MEASUREMENTS (continued)

*Fair value measurements recognised in the consolidated statement of financial position (continued)*

| | *Level 1 AED '000* | *Level 2 AED '000* | *Level 3 AED '000* | *Total AED '000* |
|---|---|---|---|---|
| 2021 | | | | |
| Fair value through other comprehensive income | | | | |
| *Unquoted equities and funds* | - | - | 50,243 | 50,243 |
| *Quoted equity securities* | 40,979 | - | - | 40,979 |
| Financial assets carried at FVTPL | 2,975 | - | 6,112 | 9,087 |
| Investment properties | - | - | 1,568,192 | 1,568,192 |
| Investment properties under development | - | - | 65,197 | 65,197 |
| | 43,954 | - | 1,689,744 | 1,733,698 |

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

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 3 to the consolidated financial statements.

| | ***At amortised cost AED '000*** | ***Fair value through profit or loss AED '000*** | ***Fair value through other comprehensive income AED '000*** | ***Total AED '000*** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| **31 December 2022** | | | | |
| Investments | **-** | **5,447** | **40,108** | **45,555** |
| Trade and other receivables* | **721,716** | **-** | **-** | **721,716** |
| Bank balances | **492,779** | **-** | **-** | **492,779** |
| | **1,214,495** | **5,447** | **40,108** | **1,260,050** |

| | *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 2021 | | | | |
| Investments | - | 9,087 | 91,222 | 100,309 |
| Trade and other receivables* | 659,853 | - | - | 659,853 |
| Bank balances | 468,978 | - | - | 468,978 |
| | 1,128,831 | 9,087 | 91,222 | 1,229,140 |

* Excluding prepayments and VAT receivables.

## 29 FAIR VALUE MEASUREMENTS (continued)

*Fair value measurements recognised in the consolidated statement of financial position (continued)*

| | ***At amortised cost AED '000*** | ***Fair value through profit or loss AED '000*** | ***Total AED '000*** |
|---|---|---|---|
| **Financial liabilities** | | | |
| **31 December 2022** | | | |
| Bank borrowings | **1,353,281** | **-** | **1,353,281** |
| Trade payables, accruals and other liabilities | **415,019** | **-** | **415,019** |
| | **1,768,300** | **-** | **1,768,300** |

| | *At amortised cost AED '000* | *Fair value through profit or loss AED '000* | *Total AED '000* |
|---|---|---|---|
| 31 December 2021 | | | |
| Bank borrowings | 1,338,042 | - | 1,338,042 |
| Trade payables, accruals and other liabilities | 325,581 | - | 325,581 |
| | 1,663,623 | - | 1,663,623 |

## 30 FINANCIAL RISK MANAGEMENT

### 30.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. 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 2022 and 2021, 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 period of 1 to 12 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. 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.

## 30 FINANCIAL RISK MANAGEMENT (continued)

### 30.1 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, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables disclosed in note 11.

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. Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using the expected credit loss:

***31 December 2022***

| | | | ***Past due but not impaired*** | | | |
|---|---|---|---|---|---|---|
| | ***Total AED' 000*** | ***Neither past due nor impaired AED' 000*** | ***0-30 days AED' 000*** | ***30-60 days AED' 000*** | ***60-90 days AED' 000*** | ***>90 days AED' 000*** |
| Expected credit loss rate | **3.2%** | **2.7%** | **2.7%** | **2.7%** | **2.7%** | **11.8%** |
| Estimated total gross carrying amount at default | **684,071** | **602,922** | **44,934** | **2,321** | **187** | **33,707** |
| Expected credit loss | **21,648** | **16,394** | **1,222** | **63** | **5** | **3,964** |

*31 December 2021*

| | | | *Past due but not impaired* | | | |
|---|---|---|---|---|---|---|
| | *Total AED' 000* | *Neither past due nor impaired AED' 000* | *0-30 days AED' 000* | *30-60 days AED' 000* | *60-90 days AED' 000* | *>360 days AED' 000* |
| Expected credit loss rate | 2.5% | 1.9% | 1.9% | 1.9% | 1.9% | 50.6% |
| Estimated total gross carrying amount at default | 661,710 | 613,880 | 37,549 | 2,011 | 466 | 7,804 |
| Expected credit loss | 16,417 | 11,705 | 716 | 38 | 9 | 3,949 |

*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 Company's exposure to credit arises from default of the counter party with maximum exposure equal to the carrying amount of these assets.

## 30 FINANCIAL RISK MANAGEMENT (continued)

### 30.2 Liquidity risk

| ***At 31 December 2022*** | ***Carrying amount AED' 000*** | ***Contractual cash flows AED' 000*** | ***Less than 1 year AED' 000*** | ***More than 1 year AED' 000*** |
|---|---|---|---|---|
| Trade payables, accruals and other liabilities | **415,019** | **415,019** | **415,019** | - |
| Bank borrowings | **1,353,281** | **1,628,641** | **605,088** | **1,023,553** |
| | **1,768,300** | **2,043,660** | **1,020,107** | **1,023,553** |

| *At 31 December 2021* | *Carrying amount AED' 000* | *Contractual cash flows AED' 000* | *Less than 1 year AED' 000* | *More than 1 year AED' 000* |
|---|---|---|---|---|
| Trade payables, accruals and other liabilities | 325,581 | 325,581 | 325,581 | - |
| Bank borrowings | 1,338,042 | 1,457,262 | 599,417 | 857,845 |
| | 1,663,623 | 1,782,843 | 924,998 | 857,845 |

**Changes in liabilities arising from financing activities**

***At 31 December 2022:***

| | ***1 January 2022 AED' 000*** | ***Net cash inflows AED' 000*** | ***Net cash out flows AED' 000*** | ***31 December 2022 AED' 000*** |
|---|---|---|---|---|
| Bank borrowings (excluding bank overdraft) | **835,257** | **423,769** | **(360,656)** | **898,370** |
| Unclaimed dividend | **43,140** | **-** | **(4,145)** | **38,995** |
| | **878,397** | **423,769** | **(364,801)** | **937,365** |

*At 31 December 2021:*

| | *1 January 2022 AED' 000* | *Net cash inflows AED' 000* | *Net cash out flows AED' 000* | *31 December cash items AED' 000* |
|---|---|---|---|---|
| Bank borrowings (excluding bank overdraft) | 653,608 | 257,583 | (75,934) | 835,257 |
| Unclaimed dividend | 43,268 | - | (128) | 43,140 |
| | 696,876 | 257,583 | (76,062) | 878,397 |

### 30.3 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 and loss. Management of the Group 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.

## 30 FINANCIAL RISK MANAGEMENT (continued)

### 30.4 Interest rate risk

The Group is mainly exposed to interest rate risk on its variable rate instruments i.e. 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:

| | ***2022 AED '000*** | *2021 AED '000* |
|---|---|---|
| **Variable rate instruments** | | |
| *Financial liabilities* | | |
| Bank borrowings | **1,353,281** | 1,338,042 |

*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 by the amounts shown below. The analysis assumes that all other variables remain constant.

| | ***Consolidated profit or loss*** | |
|---|---|---|
| | ***100 bp increase AED '000*** | ***100 bp decrease AED '000*** |
| **31 December 2022** | | |
| Variable rate instruments | **(13,533)** | **13,533** |
| 31 December 2021 | | |
| Variable rate instruments | (13,380) | 13,380 |

## 31 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, property leasing and facility management income. Information regarding the operations of each separate segment is included below.

***31 December 2022:***

| | ***Property sales AED'000*** | ***Property leasing AED'000*** | ***Hotel operations AED'000*** | ***Facility management services & others AED'000*** | ***Total AED'000*** |
|---|---|---|---|---|---|
| Revenue | **281,815** | **28,857** | **71,389** | **26,158** | **408,219** |
| Costs | **(201,639)** | **(3,148)** | **(31,535)** | **(31,392)** | **(267,714)** |
| **Segment profit** | **80,176** | **25,709** | **39,854** | **(5,234)** | **140,505** |
| Total assets | **2,391,184** | **1,603,315** | **1,362,657** | **957,913** | **6,315,069** |
| Total liabilities | **544,120** | **154,569** | **552,046** | **942,165** | **2,192,900** |
| Capital expenditure | **-** | **36,903** | **234,475** | **3,806** | **275,184** |

## 31 SEGMENT INFORMATION (continued)

*31 December 2021:*

| | *Property sales AED '000* | *Property leasing AED '000* | *Facility management services & others AED '000* | *Total AED '000* |
|---|---|---|---|---|
| Revenue | 460,962 | 28,649 | 26,013 | 515,624 |
| Costs | (293,867) | (1,193) | (25,632) | (320,692) |
| Segment profit | 167,095 | 27,456 | 381 | 194,932 |
| Total assets | 2,495,700 | 1,633,388 | 2,085,230 | 6,214,318 |
| Total liabilities | 450,679 | 284,493 | 1,371,736 | 2,106,908 |
| Capital expenditure | - | 11,983 | 266,063 | 278,046 |

## 32 CORPORATE TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the separate financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.

## First, Measures taken to complete the corporate governance system during 2022 and how to implement them:

RAK Properties has been implementing and adopting Corporate Governance laws and regulations since 2009. The Corporate Governance Report for the year 2009 was issued in June 2010 and published on the Securities and Commodities Authority website. The Corporate Governance Report for the year 2010 was published in February 2011. 2011 report was issued in March 2012 and published on the Securities and Commodities Authority website and the Company's website. Governance reports for the years 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021 were issued and published on the Securities and Commodities Authority website and the Company's website. This report, the fourteen report, is for the year 2022.

RAK Properties believes in the necessity and importance of practical application of the principles and laws of governance and standards of institutional discipline in a precise manner and in line with the interests of the Company and its shareholders because these laws and controls have positive effects that benefit all parties. RAK Properties believes that adherence to the principles and rules of governance will preserve its funds and those of shareholders due to the transparency standards and efficiency guaranteed by such principles that defend the Company's reputation and secure the shareholders' trust in its Board of Directors leading to production boosting.

Therefore, RAK Properties abides, in all its activities and transactions, by compliance standards by implementing the resolutions, statutes, rules and regulations related to the organization and management of public joint stock companies and mostly based on the Federal Law No. (2) of 2015 on Commercial Companies and its subsequent amendments came in the decree by federal law no 26 of 2020 amending some provisions of the federal commercial companies law no (2) of 2015, interpretations or directives that have been further issued in all its activities and transactions to date by the Securities and Commodities Authority and competent official authorities in the UAE.

RAK Properties is pleased to confirm its commitment to the implementation of the provisions contained in the law No. 3 of 2020 concerning Approval of Joint Stock Companies Governance Guide as the latest legislation in this regard. The most important measure taken by the Company in implementation of this regulation is the periodic disclosure of the Board's meeting dates more than two working days in advance, and the disclosure of the results of the meeting immediately thereafter.

RAK Properties has also committed to the disclosure standards of financial statements relating to the Company for every quarter during 2022, which was performed on time and under the supervision of the Stock Market and the Commodities and Services Authority. Moreover, pursuant to law provisions, Board Members have not received any representation or attendance allowances for attending the Board meetings. However, some of them have received attendance allowances for attending the meetings of the Board committees, as hereinafter detailed, as an effort added to the normal assignment of a Board member.

The current session started with the decision of the AGM by issuing special resolution to amend the Articles of Association on April 3, 2021 at the ordinary general assembly meeting of the Company, in particular to reduce the number of board members from 9 to 7 members. The current session of the Board expires on March 2024.

### Second, Transactions performed by the Board Members, their spouses or sons regarding the securities of the Company during the year 2022:

The Board of Directors and its Executive Management abide by the rules and procedures governing the transactions performed by the Board members and Company's employees who have information by virtue of their positions in order to improve the level of transparency and disclosure and allow the shareholders to be equal in their transaction regarding the shares of the Company.

The Company has provided the stock market with a list of names of the Company Chairman and Board Members as well as an updated list of the insiders from the executive management and heads of departments in order for these insiders to comply with the procedures established by the market and the Authority through receiving the approval of the director of the stock market on any transactions conducted regarding the Company's security (The Company share) whether by selling or buying and through the trading floor or family transfers in the management of the clearing.

Furthermore, the Stock Market Department automatically suspends, through its electronic system, all those listed in the insiders list from trading, through buying or selling, in the Company's shares fifteen days in advance until the disclosure of the required financial results for each period. This procedure is automatically performed by the market system and the Securities and Commodities Authority.

If any insider wishes to buy or sell the Company shares during the grace period (outside the suspension periods), he/she must submit an application in accordance with the forms approved by the Abu Dhabi Securities Exchange and its financial intermediary.

It is worth noting that RAK Properties has obligated all its employees to follow the procedures of the stock market in this regard, emphasizing, from time to time, the importance of applying and abiding by these laws as well as any new laws, resolutions and circulars issued by the Market and the Authority governing these transactions.

The measures are aimed at maintaining the Company reputation and enhancing the confidence of shareholders and investors so that the Company Board of Directors and employees do not exploit the information that may be available for them before the others to achieve material gains at the expense of the others. Therefore, the Company applies all the regulations issued or to be issued in the future by the Securities and Commodities Authority and Abu Dhabi Securities Exchange.

During 2022, the following Board Members or their relatives up to the first degree traded in the shares during the grace periods according to the following table:

| No. | Name | Position / relationship | Shares held as of 31/12/2022 | Total purchase during 2022 | Total sales during 2022 |
|---|---|---|---|---|---|
| 1 | Abdulaziz Abdullah Salem Al Zaabi | Chairman | 1,000,000 | - | - |
| 2 | Mohamed Ahmed Ali Hassan Ruqait Al-Ali | Vice-Chairman | 60,000,000 | - | 16,299,273 |
| 3 | Sheikh Ahmed Omar Abdullah Al Qassimi | Board Member | 200,000 | - | - |
| 4 | Mohammed Mosabeh Al Nauimi | Board Member | 20,000 | - | - |
| 5 | Mohamed Ghobash Ahmed Al Marri | Board Member | 0 | - | - |
| 6 | Abdulla Rashid Jasem Al Abdouli | Board Member | 100,000 | 100,000 | - |
| 7 | Yaser Abdulla Mohamed Al Ahmad | Board Member | 10,000 | 10,000 | - |

### Third, Formation of the Board of Directors:

### A. Composition of the Board of Directors and its Chairman and Members' details, experience and qualifications:

Pursuant to AGM resolution dated 3/4/2021, the Board of Directors of the Company shall be composed of seven (7) Board Members elected by the Ordinary General Assembly of the Company by secret vote. The term of the Board shall be three years. Therefore, Board of Directors of the Company was elected for the sixth session during the Company's Annual Meeting on Saturday, 3 April 2021 and thus the Board has spent about two years until the preparation of this report.

The Board consists of seven Members are well known for their long and varied experience and high efficiency. The Board still exercises its powers to date as the term of the current Board ends on March 2024 The following is the Board's composition according to the categories of its members and their details, experiences and qualifications:

| No | Position | Name | Category | Experiences | Qualifications | The duration of his/her tenure as a Company Board Member. | Their membership and positions at any other joint stock companies | Their other important regulatory, governmental or commercial positions. |
|---|---|---|---|---|---|---|---|---|
| 1 | Chairman | Abdulaziz Abdullah Al Zaabi | Independent. | He has very rich experience in the field of business Administration in Real estate and banking sector and real estate and banking investments. He also has considerable experience in Federal National Council (FNC) affairs. | Holds a BA in International Business Administration from San Jose State University, USA, 1987. | 18 years | Chairman of Al Khaleej Investment<br><br>Board Member of Julphar pharmaceutical company | Second Vice President of the Federal National Council (FNC).<br><br>Chairman of Ras Al Khaimah Charity Association<br><br>Chairman of RAK Properties |
| 2 | Vice-Chairman | Mohamed Ahmed Ruqait | Independent. | He has extensive experience in the field of real estate, construction, development and investment, and has held several positions, most notably being a Federal National Council (FNC) member. | Graduated from the Royal Navy College | 18 years | Non | Chairman of Al Ali Construction & Development Company<br><br>Owner of Mohamed Ruqait Properties<br><br>Board Member of RAK Properties |
| 3 | Board Member | Sheikh Ahmed Bin | Independent | Has more than ten years of experience in management and business administration. | Holds a Master's degree in Business Administration from the Canadian University Dubai | 8 years | Non | Board Member, RAK Properties |
| 4 | Board Member | Mohammed Mosabeh Al Nauimi | Independent. | One of the pioneers in the banking operations and business in the United Arab Emirates with more than 30 years of experience, one of the main contributors to setting the rules of Islamic finance and Islamic insurance, and an expert specializing in the affairs of listing public joint stock companies and holding several positions at the state level | Master of BA | 2 years | Board Member of CBI, CEO of Mawared Company | Chairman of Chamber of Commerce,<br><br>Board Member, RAK Properties |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **5** | **Board Member** | **Mohamed Ghobash** [illegible] | Independent | Senior Manager, Private Wealth Management, National Bank of Abu Dhabi And he worked for many years in Abu Dhabi for financial services | High Diploma from Higher College of Technology | 2 years | Board Member of United Fidelity | Board Member of RAK Properties |
| **6** | **Board Member** | **Abdulla Rashid Jasem Al Abdouli** | Independent. | He has extensive experience in the field of architecture and urban planning, and an active element in the field of entrepreneurship, innovation and stimulating the attraction of foreign investments. | BA in Architecture from the American University of Sharjah<br><br>MA in Urban and Regional Planning from Paris-Sorbonne University Abu Dhabi<br><br>Holds a Certificate in Investment Strategies in Real Estate Development from Harvard University | 2 years | Non | Vice Chairman and Managing Director of Ras Al Khaimah Bulldozers Company<br><br>CEO of Marjan Corporation<br><br>Member of the Board of Directors and General Manager of Saraya Ras Al Khaimah Company<br><br>Member of the Board of Directors of Ras Al Khaimah Real Estate Company. |
| **7** | **Board Member** | **Yaser Abdulla Mohamed Al Ahmad** | Non-Executive | He has experience in the field of banking, as he worked for the National Bank of Ras Al-Khaimah and Dubai Islamic Bank, and worked in a telecommunications company, and the Ras Al-Khaimah Economic Zones Authority (RAKEZ). | Holds a Bachelor of Arts degree | 2 Years | None | Board Member of RAK Properties<br><br>Head of Government Communications Department at Ras Al Khaimah Economic Zones Authority |

### B - Women's representation in the Board of Directors for the year 2022:

Under the Company's Articles of Association, the Board of Directors elected by the Ordinary General Assembly by secret vote. The number and percentage of male and female members was as follows:
Women are not represented according to the following table:

| Gender | Number | Percentage |
|---|---|---|
| Male Board Members | 7 | 100% |
| Female Board Members | 0 | 0% |

### C) Reasons why no woman run for Board Membership election.

RAK Properties believes in the importance of women's participation in the development process and the need for their participation in companies' boards of directors. During the previous Boards terms, candidacy for the Board of Directors membership was made available for both sexes without any discrimination. However, no woman runs for Board membership election for the Board' previous sessions.

### D) Board Members Remuneration and attendance allowance for attending the meetings of the Board and its committees:

1. **Total of Board Members' remuneration paid for the year 2021:**
   The remuneration paid to the Chairman and Board Members for the year 2021 amounted to AED 6 Million Dirhams which was presented to the shareholders' General Assembly held on March 26, 2022 and received its approval.

2. **Total of Board Members' remuneration proposed for the year 2022, which will be presented at the Annual Meeting for approval:**
   Pursuant to the federal laws and governance rules, Board remuneration shall not exceed 10% of the net profit, provided not exceeding 10% of such profits for the financial year. The Company may also pay the expenses, fees, bonus or a monthly salary as determined by the Board of Directors for any of its members if such member is working for any committee, makes special efforts or performs additional work to serve the Company above his normal duties as a Company Board Member in accordance with the Board of Directors' decision No. 3 of 2020 concerning Approval of Joint Stock Companies Governance Guide.
   Board Members propose to the General Assembly a bonus of 3 Million Dirhams,; 375,000 to each member and 750,000 for the Chairman to be distributed among them for the year 2022.

**3. Attendance allowance received by the Board Members for attending the meetings of the Board committees for the fiscal year 2022 are as detailed in following table:**

| No. | Name | Position | Attendance allowance for attending the meetings of the Board's committees | | | | |
|---|---|---|---|---|---|---|---|
| | | | Executive and Investment Committee (EIC) | Nominations and Remunerations Committee (NRC) | Audit committee | Total of allowance value | Number of meetings |
| 1 | Mr. Abdulaziz Abdullah Al Zaabi | Chairman | - | - | - | - | - |
| 2 | Mr. Mohamed Ahmed Ruqait | Vice-Chairman | - | - | - | - | - |
| 3 | Sheikh Ahmed Omar Al Qassimi | Board Member, Chairman of NRC, Member of EIC | 5,000<br>7 meetings | 10,000<br>5 meetings | - | 85,000 | 12 |
| 4 | Mohammed Mosabeh Al Nauimi | Board Member, Chairman of audit and member of NRC | - | 5,000<br>5 meetings | 10,000<br>8 meetings | 105,000 | 13 |
| 5 | Abdulla Rashid Jasem Al Abdouli | Board Member, chairman of EIC | 10,000<br>7 meetings | - | - | 70,000 | 7 |
| 6 | Mohamed Ghobash Ahmed Al Marri | Board Member, Member of Audit & EIC | 5,000<br>7 meetings | - | 5,000<br>8 meetings | 75,000 | 15 |
| 7 | Yaser Abdulla Mohamed Al Ahmad | Board Member, Member of Audit & NRC | - | 5,000<br>5 meetings | 5,000<br>8 meetings | 65,000 | 13 |

**4. Details of the allowances, salaries, or additional fees that a member of the Board of Directors received other than the fees for attending the committees and their reasons:**

None

### E. Number of Board meetings during 2022:

During the fiscal year 2022 ended 31 December 2022, the Board held 6 meetings as follows:

| No. | Meeting date | Personal Attendance | Attendance by Proxy | Names of Absent Members/ sent their apologies |
|---|---|---|---|---|
| 1 | Meeting no 1/2022 on 12/2/2022 | 7 | - | - |
| 2 | Meeting no 2/2022 on 28/4/2022 | 4 | - | Sheikh Ahmad & Mr. Mohamed Ruqait & Mr. Mohammed Al Nauimi did not attend |
| 3 | Meeting no 3/2022 on 28/5/2022 | 7 | - | - |
| 4 | Meeting no 4/2022 on 30/7/2022 | 5 | - | Sheikh Ahmad & Mr. Mohammed Al Nauimi did not attend |
| 5 | Meeting no 5/2022 on 5/11/2022 | 7 | - | - |
| 6 | Meeting no 6/2022 on 10/12/2022 | 7 | - | - |

**Chairman and Board Members Personal attendance was as follows:**

| Name | Attendance |
|---|---|
| Abdulaziz Abdullah Al Zaabi | **6** |
| Mohamed Ahmed Ruqait | **6** |
| Sheikh Ahmed Bin Omar Al Qassimi | **5** |
| Mohammed Mosabeh Al Nauimi | **5** |
| Abdulla Jasem Al Abdouli | **6** |
| Nawwaf Ghobash Al Marri | **6** |
| Yaser Abdulla Al Ahmad | **6** |

**Number of Board Resolutions by Circulations issued during 2022**

None

### F. Functions and powers assigned by the Board of Directors to the Executive Management:

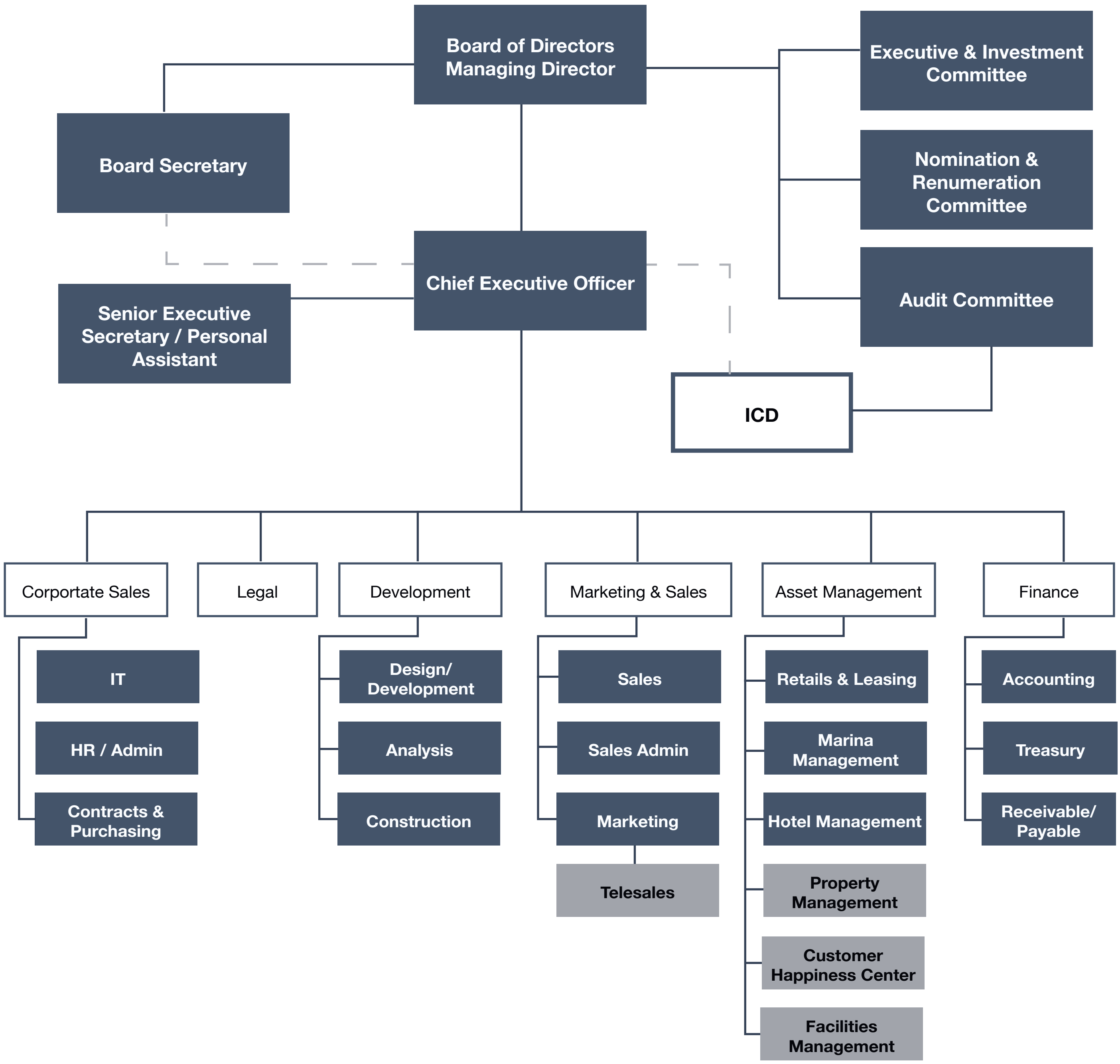
General authorization issued by the RAK Properties' Board of Directors based on the articles of association of RAK Properties "Company" and the Board of Directors General Authorization notarized by Notary Public under no. 1773/2022 dated 26/9/2022, for CEO to represent the Company before all departments; authorities; private, official or nonofficial entities; companies; establishments and private sector establishments. They also appointed him to sign all transactions and papers necessary for the completion of the Company's business in all governmental, non-governmental and private entities, banks and financial institutions. His powers include also representing the Company and signing on its behalf in all financial, administrative, legal and judicial matters. In addition, he is authorized to purchase shares and stocks in existing or under establishment companies, participate in their management, take decisions regarding them, and manage all their financial, administrative, legal and judicial affairs.

The Board of Directors also decided to authorize Mr. Sameh Al Muhtadi to sign contracts containing the arbitration clause and conclude and sign the arbitration agreements with any party in the name of the Company and on its behalf. He is authorized to take all the necessary procedures in this regard including appointing and challenging arbitrators and experts, do reconciliation and waiver and take all other procedures related to arbitration which require special authorization under the law pursuant to provisions of Article 25 of the Company's Articles of Association, and all the measures taken in this regard in light of the Company's Articles of Association provisions.

### G. Related Party Transactions (Stakeholders)

| Statement of the related Party | Clarification of the Nature of the Transactions | Type of transaction | Value of Transaction |
|---|---|---|---|
| 1) Mr. Mohamed Ahmed Ruqait Al-Ali is a member of the Board of Directors of RAK Properties and he is major shareholder RAK Properties PJSC, holding 3%.<br><br>2) He is also a partner in Al-Ali Construction and Development Company which is owned by the following:<br>- Muhammad Ahmad Raqait Al-Ali, as a partner, with a percentage of 1%.<br>Mohamed Ruqait Holding LLC as a 99% partner | During the year 2022, RAK Properties paid 432,288 Dirhams for the Intercontinental Hotel project, which was built by Al Ali Construction and Development Company.<br><br>An amount of 210,797 was paid for a previous contract, which is a contract for the construction and development of 206 villas, at a value of 214 million dirhams.<br><br>An amount of 4,079,375 dirhams has been paid for the Pilling works in the Bay Residence project | construction of the Intercontinental Ras Al Khaimah Hotel<br><br>Construction of 206 villas, at a value of 214 million dirhams<br><br>Pilling work in the the Bay Residence project | AED 409,875,852 Million Dirhams<br><br>AED 214 Million Dirhams<br><br>AED 9,835,247 Million Dirhams |

### H. Company's Organizational Structure:



### I. Details of the Company's senior executives

| Name | Position | Date of appointment | Total salaries and remunerations paid for the year 2022 in Dirhams | Total bonuses paid for the year 2022 in Dirham | Any other cash / in-kind bonuses for 2022 or due in the future |
|---|---|---|---|---|---|
| Mr. Sameh Al Muhtadi | CEO | 22/8/2022 | 969,793 | It will be presented to NRC Committee | - |
| Mr. Mohammed Al Tair | COO | 17/2/2008 | 1,149,061 | It will be presented to NRC Committee | - |
| Mr. Mohammed Al Assadi | EX-CFO | 1/9/2021 | 802,886 | It will be presented to NRC Committee | - |
| Mr. Omar Al Ali | Chief Support Services Officer | 20/8/2017 | 910,674 | It will be presented to NRC Committee | - |
| Mr. Tariq Al Shaikh | Director of Asset Management | 22/1/2022 | 878,118 | It will be presented to NRC Committee | - |
| Mr. Maen Abdol Kareem | Legal advisor and Secretary of the Board of Directors | 1/9/2019 | 549,599 | It will be presented to NRC Committee | - |

## Fourth: External Auditor:

### a. About the Company's auditor and details of audit and other services' fees and costs:

**Ernst & Young** is one of the most experienced external auditing firms accredited by the Ministry of Economy. **Ernst & Young** was appointed the Company's External Auditor for the year 2022 by the approval of the General Assembly in its meeting dated 26/3/2022 and their auditing fees are AED 470,000 + VAT shall be on the expense of RAK Properties. It is independent of the Company and the Board of Directors. It is not a partner or agent of any of the Company's founders, Board Members or any of their relatives to the fourth degree. All the work performed by the external auditor is free from any conflict of interest. The Company complies with all terms and conditions related to the External auditor pursuant to the provisions of the law No. 3 of 2020.

### b. Fees and costs for auditing and services performed by the External Auditor:

| **Name of Auditing Office and the auditors partner** | Auditing Office: **Ernst & Young** Auditors Partner: Wardah Ebrahim |
|---|---|
| Number of years spent as an external auditor of the Company | 3 years |
| Total audit fees in AED for 2022 financial statements | AED 470,000 + VAT |
| Fees and costs for special services other than 2022 financial statements auditing | Non |
| Details and nature of other services provided | Quarterly and annual financial reports review |
| Details of other services performed and submitted by an external auditor other than the Company's auditor during 2022. | There is no another external auditor |

No other special or additional services were provided by **Ernst & Young** the Company's external auditor except for auditing the financial statements for 2022.

### C. Qualified opinions made by the Company's auditor in the annual interim financial statements for the year 2022:

No Qualified opinions made by the Company's auditor for the year 2022

## Fifth: Audit Committee

### a. The Committee Chairman's acknowledgment of his responsibility for the Committee sytem at the Company, review of its work mechanism and ensuring its effectiveness.

Mr. Moahmmed Mosabeh Al Nauimi, Chairman of Audit Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

### b. Audit Committee's members' names, terms of reference and tasks:

This committee was formed in 3/4/2021 till date and consists of the following members:

- Mr. Mohammed Mosabeh Al Nuaimi, Committee's Chairman (Independent Member)
- Mr. Mohammed Ghobash Al Marri, committee member (Independent Member)
- Mr. Yaser Abdulla Al Ahmad, committee member (Non-Executive Member)

Mr. Andrew Robinson was elected as an Audit Committee member from outside the Board of Directors. He is qualified and has more than 22 years of experience and practice. He is a certified accountant in England and he worked for KPMG office in Dubai and Oman. Mr. Andrew is a Fellow of ICAEW and the Company considers his appointment to be a very valuable addition to the work of the both the Committee and the Company because of his long experience in this field.

Audit Committee's other functions are:

- To develop and implement the policy of contracting with the external auditor and submit the report to the Board of Directors to determine the issues that they consider important to take action about and make recommendations on the steps to be taken.
- To monitor and observe the external auditor's independence and objectivity and to have discussion with them on the nature and scope the audit process and its effectiveness in accordance with the approved auditing standards.
- To monitor the integrity of the Company's financial statements, annual, semi-annual and quarterly reports and review them as part of their normal work during the year and after closing the accounts in any quarter. It shall have particular emphasis on:
  1- Any changes in accounting policies and practices
  2- Highlighting the areas subject to the management report
  3- Significant changes resulting from the audit
  4- Supposing that the Company is a going concern
  5- Complying with the accounting standards determined by the Securities and Commodities Authority and Abu Dhabi Securities Exchange.
  6- Adhering to the rules of listing, disclosure and other legal requirements related to the preparation of financial reports.
- Coordinating with the Board of Directors, Executive Management and the Chief Financial Officer in order to perform its tasks. The Committee shall meet with the external auditors at least once a year.
- Considering any important and unusual items that are or should be included in such reports and accounts and giving due consideration to any matters raised by the Company's Chief Financial Officer, compliance officer or the Company's external auditors.
- Reviewing the Company's financial control, internal control and risk management systems.
- Discussing the internal control system with the management and ensuring that it fulfills its duty to establish an effective internal control system.
- Considering the results of the main investigations in the internal control matters assigned to it by the Board of Directors or on its initiative with the approval of the management.
- Ensuring that there is coordination between the Company's internal auditor and external auditor and that the necessary resources for the internal control system are available in addition to reviewing and controlling the effectiveness of the system.
- Reviewing the Company's financial and accounting policies and procedures.
- Reviewing, replying to and approving the external auditor's letter and work plan and any material inquiries presented by the auditor to the executive management regarding accounting records, financial accounts or control systems
- Ensuring that the Board of Directors responds in a timely manner to the inquiries and material issues raised in the external auditor's letter.
- Developing controls that enable the Company's employees to report any potential violations in financial reports, internal control or other matters in a confidential manner and the procedures necessary to ensure independent and fair investigations of such violations
- Monitoring the Company's compliance with professional codes of conduct
- Ensuring the application of work rules related to its tasks and the powers assigned to it by the Board of Directors

- Discussing, approving and ratifying the Company's quarterly financial reports and submitting them to the stock market and the Securities and Commodities Authority in the event that the Board of Directors cannot meet in a timely manner.
- Ensuring the application of corporate governance controls as set forth in the Securities Authority's decision No. 7 of 2016.
- Reviewing and evaluating the Company's investments, and adopting appropriate solutions regarding them such as selecting exit mechanisms or adopting the most suitable investment opportunities in amounts not exceeding 50 million Dirhams.
- Reviewing the Company's financial balance sheet, cash flows and investment portfolios on a periodic basis and submitting them to the Board of Directors.
- Ensuring that there is an appropriate system for classification and archiving (e.g. meeting minutes, committee decisions, etc.)
- The Committee shall submit all its reports to the Board of Directors for approval and ratification at the first meeting of the Board following the last meeting of the Committee.
- The Committee shall hold its meeting at least once every three months or whenever necessary and the minutes of its meetings shall be kept by the Rapporteur.
- The Company is committed to providing all the resources necessary for the Committee to perform its tasks, including authorizing it to use experts whenever necessary
- The Committee may seek the assistance of any specialized staff members or members of the Executive Board at any time to explain the issues relevant to the work of the Committee
- The Board of Directors shall have the right to request a meeting with the Committee whenever it deems appropriate
- Any other matters assigned to it by the Chairman or the Board of Directors or matters necessary for the business in conformity with the Committee's functions and nature of work.
- Considering any other matters determined by the Board of Directors.

### c. Number and dates of meetings held by the Committee and number of members attended in person:

During the fiscal year ended 31 December 2022, the Committee held the following meetings:

1- Meeting no. 1/2022 on 8/2/2022
2- Meeting no. 2/2022 on 27/2/2022
3- Meeting no. 3/2022 on 26/4/2022
4- Meeting no. 4/2022 on 13/6/2022
5- Meeting no. 5/2022 on 26/7/2022
6- Meeting no. 6/2022 on 28/10/2022
7- Meeting no. 7/2022 on 21/12/2022
8- Meeting no. 8/2022 on 28/12/2022

| Name | Attendance |
|---|---|
| Mr. Mohammed Mosabeh Al Nuaimi | 8 |
| Mr. Mohammad Ghobash Al Marri | 8 |
| Mr. Yaser Abdulla Al Ahmad | 8 |
| Mr. Andrew Robinson | 8 |

## Sixth: Nominations and Remunerations Committee:

### a. The Committee Chairman's acknowledgment of his responsibility for the Committee sytem at the Company, review of its work mechanism and ensuring its effectiveness.

Shaikh Bin Ahmed Omar Al Qassemi, Chairman of Nomination and Remuneration Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

### b. Nominations and Remunerations Committee's members names, terms of reference and tasks:

The Nominations and Remunerations Committee was formed in accordance with the Corporate Governance Regulations and Rules. It consists of three Board members as follows:

Members of the Nominations and Remunerations Committee during Board of Directors' current session, they are as follows:

- Sheikh Ahmed Bin Omar Al Qassimi, Chairman
(Independent Board Member)
- Mohammed Mosabeh Al Nuaimi, Committee member
(Independent Board Member)
- Mr. Yaser Abdulla Al Ahamd, Committee member
(Non-Executive Board Member)

For achieving its objectives, the Nominations and Remuneration Committee have the following responsibilities:

- Constantly ensuring the independence of independent members
- Identifying the Company's needs of competent individuals at senior executive management level and employees and the bases of their selection.
- Selecting candidates and reviewing all nomination processes for the appointment or reappointment of the following:
  1- Board of Directors members for the purpose of being approved by the shareholders
  2- Members of the various Board's committees for the purpose of being approved by the Board
- Arranging and following up the procedures related to proposals of membership in the Board of Directors in accordance with the provisions of the applicable laws and regulations and the regulations of the Securities and Commodities Authority
- Organizing and following up the procedures for nomination to the Board of Directors in accordance with the applicable laws and regulations and the Securities and Commodities Authority's provisions.
- Searching for qualified individuals to nominate as Board Members, recommending them to the Board of Directors and conducting a study on the potential candidates' background and qualifications for submission to the Board of Directors.
- Submitting an annual list to the Board of Directors containing the individuals recommended for nomination during the shareholders' annual general meeting.
- Submitting annual reports to the Board of Directors accompanied by an assessment of the Board's performance. The Committee shall discuss the report with the Board after the end of each financial year.
- Reviewing the formation of the Board and the committees on an annual basis and submitting recommendations to the Board of Directors when necessary regarding the membership of the committees
- Generally supervising the evaluation of the performance of the Board and its members and their areas of responsibility, at least annually, and proposing objective performance criteria.
- Developing, monitoring the application of and annually reviewing the Company's HR and training policy.
- Reviewing the plans of professional development and succession within the institution and discussing the same with the Board and senior management.
- Reviewing and submitting to the Board the recommendations regarding labor contracts, dismissal and retirement arrangements and any privileges of key members of senior management
- Developing and annually reviewing the policy of granting bonuses, benefits, incentives and salaries to Board of Directors members and its employees. The Committee should verify that the bonuses and benefits granted to the senior executive management of the Company are reasonable and commensurate with Company performance.
- Identifying the Company's needs of competent individuals at senior executive management level and employees and the bases of their selection.

- Considering and approving the end of service gratuities, bonuses, dismissal payments and similar payments the Board of Directors members, managing directors and executive management.
- Reviewing and evaluating the efficiency of the Committee's charter on an annual basis and requesting the Board of Directors' approval on the proposed changes

**c. Number and dates of meetings held by the Committee and number of members attended in person:**

During 2022, the Committee held 5 meetings as follows:

1- Meeting no. 1/2022 on 11/2/2022
2- Meeting no. 2/2022 on 27/2/2022
3- Meeting no. 3/2022 on 11/5/2022
4- Meeting no. 4/2022 on 28/6/2022
5- Meeting no. 5/2022 on 28/10/2022

| Name | Number of Meeting Attendance |
|---|---|
| Shaikh Ahmed Bin Omar Al Qassemi | 5 |
| Mohammed Mosabeh Al Nuaimi | 5 |
| Yaser Abdulla Al Ahmad | 5 |

**Seventh: Follow-up and Supervision of Insiders' Trading Committee (FSIT Committee)**

**a. The Committee Chairman's acknowledgment of his responsibility for the Committee sytem at the Company, review of its work mechanism and ensuring its effectiveness.**

Mr. Maen Abdul Kareem Chairman of Follow-up and Supervision of Insiders' Trading Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

**b. Names of the members of the committee to follow up and supervise the transactions of the aspired persons, and indicate its competence and the tasks entrusted to it:**

The Follow-up and Supervision Committee for Insiders' Transactions was formed as follows:

1- Legal Advisor: Chairman of the Committee

2- Chief Financial Officer - member

3- Investor Relations Officer – Member

The Follow-up and Supervision Committee has the following responsibilities for achieving its objectives:

1. Prepare a private and integrated record that includes the names and data of the insiders, including people who can be considered temporary insiders, and who have the right or access to the company's internal information before publishing it.

2. Monitor and supervise insiders' dealings and properties, and keep their record.

3. Conducting a periodic review of the insiders' records and statements, to ensure that they are constantly updated, and consulting with the executive management of the company regarding any updates that are required to be made on these records and statements at the time of occurrence in accordance with the requirements and requirements of the company's business progress.

4. Submitting the statements and periodic reports of the insiders to the Abu Dhabi Stock Exchange and / or the Securities and Commodities Authority.

5. Ensure that the list of company insiders is constantly updated on the Abu Dhabi Securities Exchange website, and that any update on this list is made as soon as it occurs.

6. Continuous communication with the insiders and spreading awareness of their trading in the company’s shares and the securities issued by the company, including sensitizing them and constantly reminding them of the periods of prohibiting trading in the company’s shares and the securities issued by the company in accordance with the regulations and rules in force with both the Securities and Abu Dhabi Securities Market Finance, to ensure compliance with it, and to avoid any wrongdoing.

7. Generally, it is responsible for all matters specified in the guidelines of the Securities and Commodities Authority, as it is the responsibility of the Follow-up and Supervision Committee of the Insiders' Transactions of the Company.

8. Ensure that the company complies with all disclosure and transparency rules.

9. Prepare and adopt a model and criteria for identifying the insiders from the employees and external parties.

10. Determine the essential and sensitive information that can be viewed and affect the company's share price.

11. Prepare and review trading policies periodically and submit recommendations to the Board of Directors for approval to make any amendment to them.

12. Insiders familiar with the employees and members of the Board of Directors should disclose any deliberations of the committee.

### c. Report summary of the Committee's work during 2022:

The Committee has updated the lists of insiders at the stock market to include the Board of Directors members and Company’s senior employees of first and second grade, as well as some insiders from relevant department. It also advised the employees and the members of the Board of Directors of the necessity to adhere to the laws and regulations of trading and not to sell and / or buy in periods of banning trading.

## Eighth: Any committee(s) approved by the Board of Directors (Executive and Investment Committee)

### a. The Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness.

Mr. Abdulla Al Abdouli Chairman of Executive and Investment Committee acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

### b. Executive and Investment Committee’s members’ names, terms of reference and tasks:

The Executive and Investment Committee is entrusted with some of the Board of Directors’ duties and responsibilities in order to increase Board effectiveness by employing the skills of some of the Committee members in supervising some important issues such as supporting the Company’s Executive Management. The Committee is formed by a Board of Directors decision for a period not exceeding 3 years and consists of a number of members not less than 3 members.

The Executive Committee and the Investment was formed in accordance with the Board of Directors Decision No. 3/4/2021. It consisted of 3 members and their names are as follows:

1- Mr. Abdulla Jasem Al Abdouli, Committee Chairman (Independent Board Member)
2- Sheikh Ahmed Bin Omar Al Qassimi, Committee member (Independent Board Member)
3- Mr. Mohammed Ghobash Al Marri, Committee member (Independent Board Member)

### For the purpose of achieving its objectives, the Executive Committee and the Investment have the following responsibilities:

- Support and help the ACEO and Executive Management Team.
- Periodically review the Company's projects work progress in addition to its works in general.
- Review and approve the policies and procedures followed in the Company and the powers of accreditation and signature from time to time.
- Make suggestions and express opinion in timely manner to the Board and its Chairman regarding issues related to the performance of the Company and its main issues, if any.
- Develop and adopt the Company’s organizational structure
- Propose major projects and strategic investments for the Company and propose the contribution to public offerings in companies’ shares and submit them to the Board of Directors for approval.
- Discuss and adopt financial reports and commodities in the event that the Board of Directors cannot meet on time.
- Ensure the application of corporate governance controls.

Review and evaluate the Company's investments, and adopt appropriate solutions regarding them such as selecting exit mechanisms or adopting the most suitable investment opportunities in amounts not exceeding 50 million Dirhams.
Review the Company's financial balance sheet, cash flows and investment portfolios on a periodic basis and submit them to the Board of Directors.
Ensure that there is an appropriate system for classification and archiving (e.g. meeting minutes, committee decisions, etc.)

- The Committee may adopt urgent decisions by passing them in the event that the meeting cannot be held as quickly as possible.
- The duration of the Committee's work is the same as that of the Board unless a decision is issued by the Board of Directors to the contrary.

-Any other matters assigned to it by the Chairman or the Board of Directors or matters necessary for the business in conformity with the Committee's functions and nature of work.
Consider any other matters determined by the Board of Directors.
-The Committee may seek the assistance of any specialized staff members or members of the Executive Board at any time to explain the issues relevant to the work of the Committee
-The Board of Directors shall have the right to request a meeting with the Committee whenever it deems appropriate
- The Committee shall submits all its reports to the Board of Directors for approval and ratification at the first meeting of the Board following the last meeting of the Committee.
- Hold meetings, periodically or at the request of the Committee's Chairman or the majority of its members whenever necessary.

### c. Number and dates of meetings held by the Committee and number of members attended in person:

During the fiscal year ended 31 December 2022, the Committee held the following meetings:

1- Meeting no. 1/2022 on 10/2/2022
2- Meeting no. 2/2022 on 25/2/2022
3- Meeting no. 3/2022 on 2/6/2022
4- Meeting no. 4/2022 on 12/10/2022
5- Meeting no. 5/2022 on 7/12/2022
6- Meeting no. 6/2022 on 21/12/2022
7- Meeting no. 7/2022 on 28/12/2022

| Name | Attendance |
|---|---|
| Mr. Abdulla Jasem Al Abdouli | 7 |
| Sheikh Ahmed Bin Omar Al Qassimi | 7 |
| Mr. Mohammed Ghobash Al Marri | 7 |

## Ninth: Internal Control System:

### a. Confirmation by the Board of its responsibility for the Company's internal control system, reviewing its working mechanism and ensuring its effectiveness:

The Board of Directors confirms its responsibility for the Company's internal control system. It reviews its working mechanism and ensures its effectiveness. The Board adopted in its meeting No. (2) for the year 2007 held on 19/04/2007 the establishment of a department in the Company called “The Internal Audit Department”. The department name changed later by a Board of Directors decision to be "The Internal Control Department" to match the names of the committees in the corporate governance requirements, subject of this report.

(B) Submit reports on important issues, provide information on the appropriate decision to address such issues and make recommendations about improving the operation in the activities related to these issues.
(C) Provide information on a regular basis on the annual audit plan' status and results and on the adequacy of the internal control management tools.

(D) Coordinate with other internal and external supervision and control tasks, including all areas such as risk management, compliance control, security, laws, ethics, and environmental and external auditing.

4. **Powers:**

Internal control department's manager and staff shall have the following powers:

(A) Have unrestricted access to all positions, records, property and employees
(B) Allocate the Internal Control Department's resources, select the tasks, determine the internal control's scope of work and apply the necessary techniques to achieve the audit objectives
(C) Obtain the necessary assistance from the Company's different departments employees when conducting the audit in addition to other specialized services from inside or outside the Company.

Internal control department's manager and staff shall NOT have the following powers:

(A) Perform any operational tasks for the Company or its subsidiaries.
(B) Conduct or approve any accounting transaction outside of the Internal Control Department.
(C) Take any decisions that fall within the responsibilities of the Department.

5. **Independence**

There is no interference in the Internal Control work in terms of determining the scope of internal control, work performance and reporting results. In order to achieve the independence of the Internal Control Department, the Department's officers shall be accountable to the Internal control department's manager who shall be directly accountable to the Board's Audit Committee and shall have independent powers to deal with any individual within the company to perform his duties.

6. **Information and confidentiality:**

The information obtained by auditors by virtue of their audit provides a reliable basis for auditing, reporting and recommendations. The audit work documents that contain such information are the property of the Company and they remain under the supervision of the Internal Control Department and can only be accessed by authorized individuals.

The Internal Auditor shall also:

- Be careful with the use of and protect the information obtained during the task.
- Not use the information for any personal purpose or to achieve personal interests in any illegal, illicit or immoral way.
- Disclose all facts known to him, i.e. information whose non-disclosure will cause the audit report to be incomplete.

7. **Responsibilities:**

Internal control department's manager and staff shall be responsible for:

(A) Develop the policies related to the Internal Control activity and the Manager shall be responsible for the technical or administrative application of such policies.

(B) Develop the annual audit plan using an approach based on identifying the risks associated with the activities and submit the plan to the Audit Committee and the ACEO for review and approval.

## b. Department Director's Name, qualifications and date of appointment:

Mr. Usman Zishan, Manager of Internal Control Department, holds a Bachelor of Commerce, 2002. He has 15 years' experience in internal audit and he is reporting to the audit committee of the board. The Board of Directors continuously reviews the internal control system to ensure its effectiveness and realization of its objectives.

### Internal Control Department's functions:

Internal control is an independent oversight and advisory activity aimed at improving performance and maximizing the value of the Company in order to assist the management in accomplishing its objectives by implementing a coherent and continuous system to evaluate and improve the effectiveness of the risk management performance and the internal regulatory and control system at the Company. The internal control also ensures that the Company's information is comprehensive and credible, policies and procedures are complied with, property are protected, resources are economically and efficiently used and the organizational and operational objectives of the Company are implemented.

1. **Values:**

Internal control department's manager and Staff shall:

(A) Demonstrate the highest levels of profession, honesty and ethics.
(B) Establish strong and effective relations through mutual respect and joint work.
(C) Coordinate with all Company's employees during the audit process and advisory services.
(D) Recruit and train individuals with relevant expertise.

2. **Scope of Work:**

The Internal Control Department participate with the management, Company's internal society and different parties in achieving of the Company's objectives and supporting the Company in adhering to policies, rules and procedures. The Internal Control Department functions include paying attention to areas of risk that have a significant impact on the Company. The Internal Control Department should have sufficient flexibility to interact with changing circumstances. Specifically, the Internal Control Department assesses the extent to which the Company's internal regulatory and control and risk management system is coherent to ensure that:

(A) Risks are identified and managed appropriately.

(B) Important administrative, financial and operational information are accurate, reliable, sound and on time.

(C) Policies, laws and instructions are complied with by the employees.

(D) Materials are economically kept, efficiently used and sufficiently protected.

(E) Programs, plans and objectives are achieved with the required efficiency.

(F) Company's control process is of high quality and continuously developed.

(G) Significant legislative and regulatory requirements affecting the Company are properly managed.

3. **Accountability:**
Internal control department's manager shall be responsible for performing his duties before the Company's Board of Directors through the Audit Committee and shall be responsible for submitting audit reports to the Acting Chief Executive Officer. Such responsibility includes the following:

(A) Regularly verify the accuracy and efficiency of the Company's internal regulation and control in activities that fall within the audit process' scope and functions.

(C) Implement the annual audit plan, as approved by the committee, and introduce any special tasks or duties required by the management and the committee.

(D) Develop and implement comprehensive programs of work to cover all the audit areas mentioned in the annual plan and evaluate and develop the Internal Regulation and Control system and Company's organizational activities.

(E) Re-evaluate the audit plan continuously based on changing circumstances and make adjustments as necessary.

(F) Issue audit reports containing audit activities results to the Managing Director, ACEO and other managers.

(G) Informing the ACEO, and the Audit Committee of current trends and successful practices in the Company's Internal Control.

(H) Submit a report to the Audit Committee on the Internal Control activities and serious issues in periodic meetings.

(I) Follow up on observations sent to the Management and evaluate the plans or corrective actions taken.

(J) Undertake accurate follow-up works to ensure that the corrective actions taken are implemented and acted upon.

(K) Take into account the scope of work of external auditors and external bodies as necessary for a comprehensive audit of the Company.

(L) Assist with investigating the acts related to breach of trust within the Company, notify the ACEO, Audit Committee and other Directors of the results and assist official authorities with different claims (if necessary).

(M) Perform any advisory services to assist the management with achieving its objectives and addressing various matters. This may include designing systems, training and new initiatives.

(N) Participate in different committees, compliance control duties and system development tasks in order to provide the Company with the guidance necessary for addressing potential issues and areas of weakness or inefficiency of internal control.

(O) Evaluate the Company's important functions in addition to the changes and developments in the Company's operation system, services, key systems and control systems while working on increasing the level of assistance with implementing these changes.

(P) Perform all the requirements related to Internal Control matters that are assigned by the Board of Directors.

**Standards for Practicing Internal Control:**
At the Company's Internal Control Department, the professional practice of Internal Control is in accordance with the Standards for the Professional Practice of Internal Auditing (SPPIA) issued by the Institute of Internal Auditors (IIA).These standards represent the minimum professional practice at the Company's Internal Control Department.
Accordingly, the Company Board of Directors acknowledges its responsibility for the implementation of the Company's Internal Control System, its periodic review and its effectiveness through the Board's Audit Committee.

**(C) Compliance Officer's Name, qualifications and date of appointment:**
It was decided that Ms. Duaa Masood Al Mahri, to be appointed Risk & Compliance Officer for the financial year 2022. She has bachelor degree in Public Relations from University of United Arab Emirates, and she has previous experience for 3 years in Compliance field.

**(D) How the Internal Control Department deals with any significant problems in the Company or those disclosed in annual reports and accounts:**

The Company did not face any problems.

**(E) Number of reports issued from Internal Control Department**

The Internal Control Department has issued 14 internal audit reports to the audit committee of the board during the year 2022.

**Tenth: Details of violations committed during the fiscal year**

No violation was committed during the fiscal year 2022

**Eleventh: In kind and cash contributions made by the Company in local community and environment preservation.**

1. RAK Energy Summit /Sponsorship Supporting Partner
2. Al Ihsan Charity Association / Eid Orphans Donations
3. Al Ihsan Charity Association Orphans Sponsorship
4. Ajman Club for Disabled/ Sponsorship
5. Rashid center for people of determination./ Sponsorship
6. Shamal Art association / Sponsorship

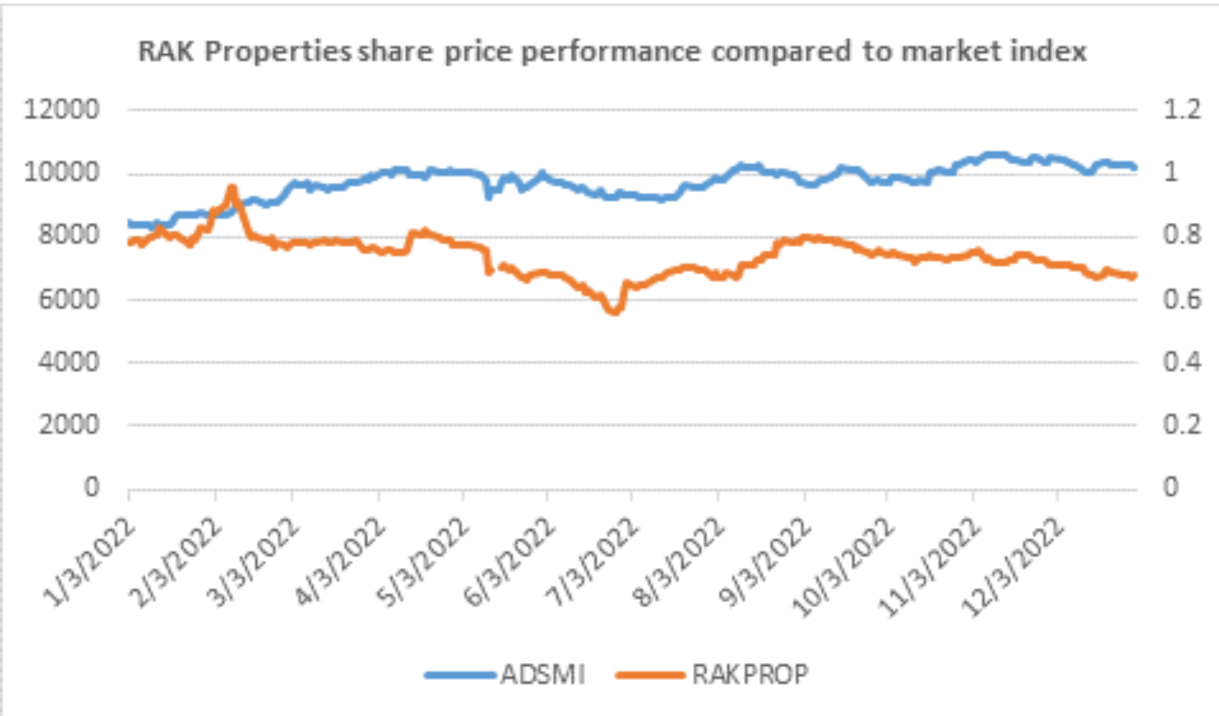
**Twelfth: General information:**

**a. The Company's share market price (closing, high and low price) at the end of each month during the financial year 2022**

| Transaction | Value | Volume | Close | Lower Price | High price | Date | Month |
|---|---|---|---|---|---|---|---|
| 63 | 1,231,780.00 | 1,825,914 | 0.68 | 0.66 | 0.68 | 2022/12/30 | **Dec** |
| 34 | 527,950.32 | 734,175 | 0.71 | 0.71 | 0.72 | 2022/11/30 | **Nov** |
| 39 | 805,026.97 | 1,092,433 | 0.74 | 0.72 | 0.74 | 2022/10/31 | **Oct** |
| 68 | 4,014,697.07 | 5,331,293 | 0.75 | 0.74 | 0.75 | 2022/9/30 | **Sep** |
| 159 | 4,946,288.77 | 6,271,710 | 0.79 | 0.78 | 0.79 | 2022/8/31 | **Aug** |
| 45 | 1,566,592.38 | 2,248,335 | 0.69 | 0.69 | 0.70 | 2022/7/29 | **Jul** |
| 265 | 11,572,307.12 | 19,322,609 | 0.62 | 0.57 | 0.62 | 2022/6/30 | **Jun** |
| 36 | 740,264.96 | 1,093,585 | 0.67 | 0.66 | 0.68 | 2022/5/27 | **May** |
| 121 | 6,271,562.38 | 8,110,743 | 0.77 | 0.76 | 0.78 | 2022/4/29 | **Apr** |
| 75 | 2,852,430.51 | 3,750,803 | 0.76 | 0.75 | 0.76 | 2022/3/31 | **Mar** |
| 158 | 6,670,943.07 | 8,581,922 | 0.77 | 0.77 | 0.78 | 2022/2/28 | **Feb** |
| 137 | 4,409,738.48 | 5,378,210 | 0.82 | 0.81 | 0.83 | 2022/1/31 | **Jan** |

**b. Comparison between the company's share performance, the general market index, and the index of the sector to which the company belongs during 2022:**

**1. Comparing the Company's share performance with the general market index:**



**2. Comparing the Company's index to the sector index**


**3. Shareholders' equity as of 31/12/2022 classified as follows (National / GCC/ Arab / Foreign):**

| | | **Nationals** | | **GCC** | | **Arabs** | | **Others** | | **Total Foreign** | **Outstanding** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Symbol | Company Name | Allowed | Actual | Allowed | Actual | Allowed | Actual | Allowed | Actual | Ownership% | Shares |
| RAKPROP | RAK Properties | 100% | 74.27% | 49% | 9.81% | 49% | 6.77% | 49% | 9.15% | 25.73% | 2,000,000,000 |

**(C) Shareholders' equity as of 31/12/2022 classified as follows (Individuals / Companies/ Governments): National / GCC/ Arab / Foreign:**

| **Individuals** | | | |
|---|---|---|---|
| **Nationality Types** | **Volume** | **%age** | **Number of Shareholders** |
| ARB | 129,934,849 | 6.50 | 2,023 |
| GCC | 113,018,653 | 5.65 | 3,105 |
| OTH | 75,718,193 | 3.79 | 1,617 |
| UAE | 1,123,330,448 | 56.17 | 7,107 |

| Companies | | | |
|---|---|---|---|
| **Nationality Types** | **Volume** | **Percentage** | **Number of Shareholders** |
| ARB | 2,488,154.00 | 0.35% | 14 |
| GCC | 99,257,473.00 | 13.81% | 31 |
| OTH | 111,706,077.00 | 15.54% | 65 |
| UAE | 505,194,532.00 | 70.30% | 113 |

| Government | | | |
|---|---|---|---|
| **Nationality Types** | **Volume** | **Percentage** | **Number of Shareholders** |
| **UAE** | 217,017,101 | **5.05%** | **1** |

**(D) Shareholders who own (5%) and above of the Company's capital as at 31/12/2022**

| No. | Name | Number of owned shares | Shareholding percentage against the share capital |
|---|---|---|---|
| **1** | Government of Ras Al Khaimah | **101,017,217** | **5.0509 %** |

**E) Distribution of shareholders according to shareholding volume as at 31/12/2022 according to the following table:**

| No. | Shareholding | Number of Shareholders | Number of shares | Shareholding percentage against the share capital |
|---|---|---|---|---|
| **1** | **50,000Less than** | 12,044 | 115,132,890 | 5.75% |
| **2** | **From 50,000 to less than 500,000** | 1304 | 169,180,205 | 10.25% |
| **3** | **From 500,000 less than 5,000,000** | 389 | 864,163,536 | 26.80% |
| **4** | **5,000,000More Than** | 71 | 1,103,523,077 | 55.17% |
| **5** | **5,000,000Equal to** | 8 | 40,000,000 | 2% |

**(F) Measures taken regarding investor relations controls in addition to the following:**

- Name and contact information of the Investor Relations Officer:

Mr. Abdallah Shukri Al Akhdar was appointed as Investor Relations Officer. He can be contacted via e-mail ir@rakproperties.ae

- Link of investor relations web page on the Company's website:

The Company's website contains an a web page for the investor relations which can be reached through the following http://www.rakproperties.net/investor-relation/

**(G) Special resolutions presented in the general assembly held during 2022 and the actions taken thereon.**

None

**(H) Board Rapporteur's name and date of his/ her appointment:**
Board Rapporteur is Mr. Maen Abdol-Kareem and he is the legal advisor and Board secretary and he was appointed on 1/10/2019.

**(I) Substantial events that occurred during the year 2022:**
There have been no unusual or substantial events faced by the Company in 2022.

**(J) Statement of the Company's Contract equal or above 5% of the Capital during the year 2022**
The Company did not enter or sign any contract above 5% of the Capital during the year 2022.

**(K) Percentage of Emiratization in the Company by the end of 2020, 2021 ,2022:**
Number Board's national members are 7 and they include the Board's Chairman and Vice-Chairman and percentage of employees' Emiratization is as follows:

| 2020 | 2021 | 2022 |
|---|---|---|
| 15.9% | 19.4% | 18.1% |

**(H) Projects and innovative initiatives undertaken by the Company or initiatives under development in 2022.**

None

| Name | Signature |
|---|---|
| Abdulaziz Abdulla Al Zaabi<br>Chairman of the Board | |
| Mohammed Mosabeh Al Nuaimi<br>Chairman of the Audit Committee | |
| Sheikh Ahmad Omar Al Qassemi<br>Chairman of Nomination Committee | |
| Usman Zishan<br>Manager of Internal Control Department | |

**Date: 11th February 2023**

## About This Report

(GRI 2-1, GRI 2-2, GRI 2-3, GRI 2-4, GRI 2-5, G7, G8, G9)

The 2022 edition of the RAK Properties Sustainability Report highlights the organization's approaches and performance on key material Environmental, Social, and Governance (ESG) topics.

### 2022 Reporting Scope

This year's Sustainability Report covers all activities, initiatives, and programs conducted in the calendar year from January 1st to December 31st, 2022. References to previous years are provided where necessary.

### Reporting Guidelines

The 2022 Sustainability Report has been developed in accordance with the Global Reporting Initiative (GRI) Standards. It underscores our commitment to transparency, accountability, and internationally recognized best reporting practices. It also aligns with the United Nations Sustainable Development Goals (SDGs) and the Abu Dhabi Stock Exchange (ADX) ESG Reporting Guide.

### Report Boundary

The reporting boundaries for this report cover all RAK Properties operations in the UAE.

### Reporting Integrity

All efforts have been undertaken to ensure reporting integrity. A rigorous review of the report's content has been conducted by each corresponding internal department. The financial data included in this report has been extracted from our annual Financial Statements, which recognized audit firms have independently reviewed.

### Disclaimer: Forward-looking Statements

RAK Properties holds no obligation to publicly update or revise any/all forward-looking statements included in this report unless required by applicable laws and regulations.

### Communication & Feedback

We welcome feedback and suggestions related to this report. Please contact us at:

+971 7 228 4777

## CEO Message

(GRI 2-2)

It gives me great pleasure to present our second annual sustainability report for the 2022 fiscal year. This year's report details our progress toward meeting our environmental, social, and governance (ESG) objectives.

This year's report has been developed in accordance with the GRI standards, and in alignment with the Abu Dhabi Securities Exchange's 31 ESG metrics, and the United Nations' Sustainable Development Goals to ensure we follow all local regulatory requirements and global sustainability reporting best-practices.

As an organization, RAK Properties' ESG goals focus on initiatives that bring sustainable development to the company and the real estate sector while adding value to our network of communities. For this reason, we prioritize environmental practices, responsible social governance, and gainful employment opportunities.

In 2023, we hope to continue delivering on the same objectives. Our sustainability initiatives will be chosen and acted on through a three-pronged methodology.

***1.*** Ensure a double materiality approach. All ESG initiatives will be designed to not only improve our ESG performance through the management of the environmental, social, and governance factors, but will also have a positive impact on our local communities, the environment and economy. In essence, RAK Properties will take an inward and outward approach to ESG, thereby adopting the double materiality approach.

***2.*** Improved engagement with our stakeholders. Businesses worldwide have realized that building trust with stakeholders is crucial to growth and development. Companies that understand and cater to the evolving needs of their stakeholders create sustainable value. Stakeholder engagement also earns a company trust and credibility, provides opportunities for greater partnerships, and builds stronger relationships.

RAK Properties will continue to engage with our key stakeholders and nurture their confidence in our business strategy and operations to ensure increased transparency and partnership at every touchpoint.

***3.*** Design ESG projects that deliver the most impact. All our sustainability initiatives will be designed to bring positive impact to the environment and society. ESG continues to be an integral part of our business strategy and operations. We will continue on communicating our progress, encumbrances, and strategies to overcome hurdles.

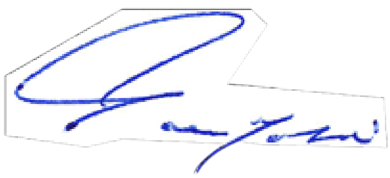
RAK Properties' ESG endeavors are even more important to us as the United Arab Emirates is leading the region in combating climate change. As the country gets ready to host the 2023 UN Climate Change Conference (COP 28), we realize that all local businesses and corporations must support national efforts to protect the environment. More of us need to step up and adopt measures that reduce carbon footprints.

RAK Properties is proudly aligned with the government's environmental sustainability commitments. Our goal is to contribute towards helping the UAE achieve net zero emissions by 2050.

In 2023, RAK Properties will continue to raise awareness about the environmental, social, and governance factors as they pertain to the real estate development sector. We will incorporate climate change practices into our company culture and all future planning and operations. It is for this reason that we are committed to reducing our carbon emissions to help the UAE meet its goal to decarbonize the economy and build a green and sustainable future that benefits the world and its people.

**Sameh Al Muhtadi,**

Chief Executive Officer



### Who We Are

(GRI 2-6, GRI 2-7, GRI 2-8, GRI 2-28)

**2022 ESG HIGHLIGHTS**

**91% EMPLOYEE SATISFACTION**

**18% EMIRATIZATION RATE**

**DIGITALIZED 25 KEY SERVICES**

**99% PROCUREMENT MADE VIA LOCAL SUPPLIERS**

**ISO 45001:2018 CERTIFIED**

## COMPANY PROFILE & OVERVIEW

RAK Properties is the largest real estate developer in the Northern Emirate of Ras Al Khaimah. The company was founded in 2005 by the visionary ruler of Ras Al Khaimah, His Highness Sheikh Saud Bin Saqr Al Qasimi, with the ambition of driving real estate growth in the Emirate and leading the development of contemporary properties that serve the evolving needs of the local communities.

In the 17 years following its inception, RAK Properties has established itself as the market leader in residential and commercial real estate. Our properties have become integral to Ras Al Khaimah's modern-day identity. They are renowned for their impressive architecture, sustainable design, and quality construction. Some of our most instrumental developments include the iconic Julphar Towers and the Mina Al Arab area, which features multiple residential and hospitality projects such as IC Ras Al Khaimah Resort and the currently under-construction Anantara Hotel.

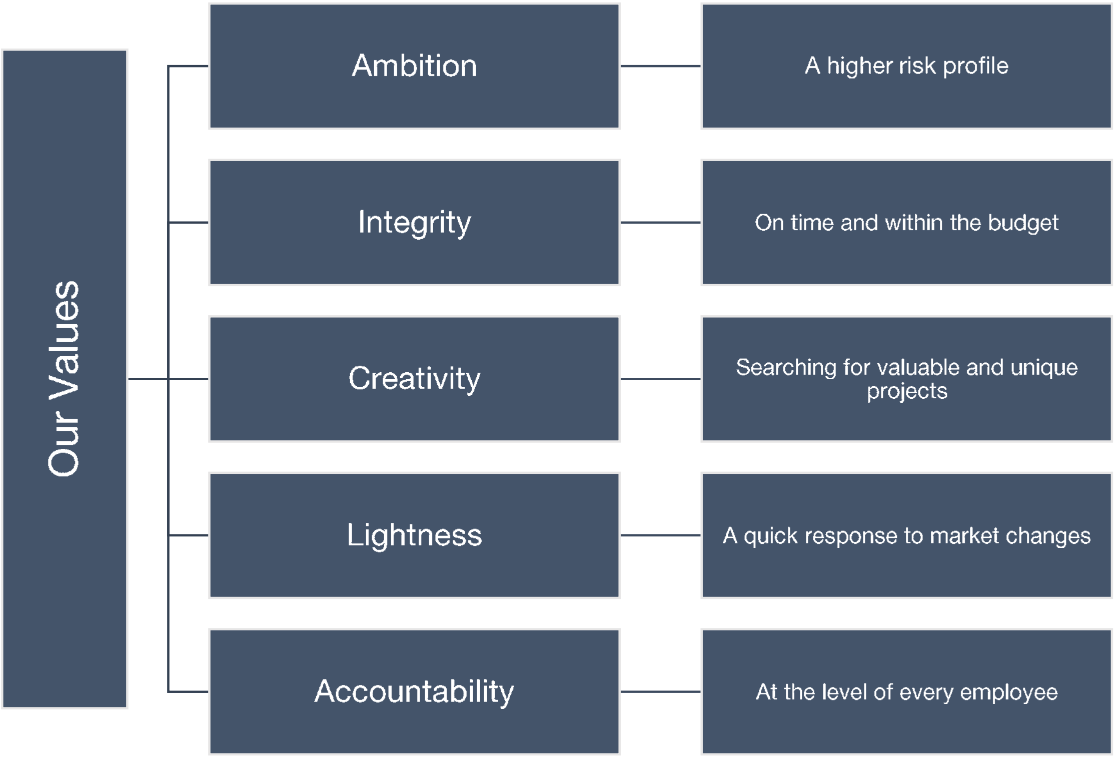
Our RAK team is based across two headquarters strategically located in Ras Al Khaimah. The main corporate headquarters of the company is situated on the 40th and 41st floors of the commercial Julphar Tower, whereas our second headquarters, dedicated to the management of the Mina Al Arab area, is located on-site. In between our two offices, RAK employs a total of 143 people.

### Vision

- To be glocal company that generates long-term value by creatung sustainable and successful developments where people aspire to live, work, and enjoy

### Mission

- Leading and developing real estate and tourism infrastructure in Ras Al Khaimah, RAK Properties aims to attract reputable foreign investors to launch state-of-the art projects, including luxury hotels, resorts, shopping malls and industrial areas. In doing so, RAK Properties acts as a catalyst for a dynamic reak estate market in Ras Al Khaimah and the UAE in general.




**A Technology-Driven Approach**

At RAK Properties, we always keep one eye on the future. Our goal is to pioneer new and improved real estate development practices using the latest technological advancements. We have already invested in key information technology systems and operation automation solutions to improve project efficiency, enhance customer service, and position ourselves as agile, future-oriented developers.

### The RAK Property Portfolio

In the last 17 years, RAK has established itself as the premier real estate developer in Ras Al Khaimah. Our portfolio comprises of various properties across 5 key verticals: Destination, Residential, Commercial, Retail, and Partner Hospitality.

**Destinations**
- Mina Al Arab
- Hayat Island
- Julphar Towers

**Residential**
- Marbella Villas
- Malibu Villas
- Bermuda Villas
- Flamingo Villas
- Granada Villas
- Northbay Residence
- Gateway Residence
- Gateway Residence II
- Bay Residence Central 1
- Lagoon Views
- RAK Tower
- Julphar Towers

**Commercial**
- Julphar Towers

**Retail**
- Lagoon Marina
- Angel Bay
- Lagoon Walk
- Julphar Avenue

**Partner Hotels**
- Intercontinental Mina Al Arab Resort
- Anantara Mina Al Arab Ras Al Khaimah Resort

We are committed to building on our residential real estate expertise while expanding our commercial, retail, and hospitality presence.

## ESG at RAK Properties

(GRI 2-12, GRI 2-13, GRI 2-14, GRI 2-22, GRI 2-29, GRI 2-30, GRI 3-1, GRI 3-2)

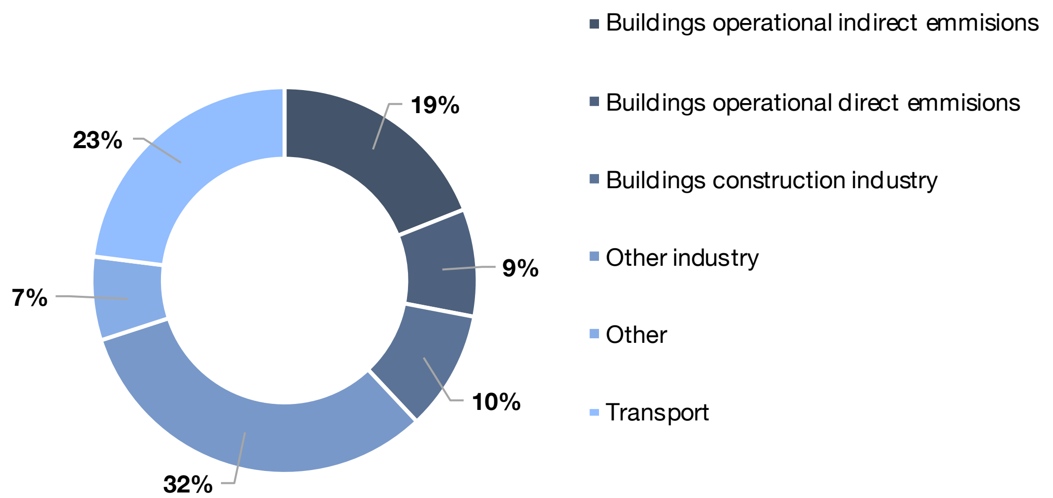
### OUR GUIDING PRINCIPLES

ESG (Environmental, Social, and Governance) underpins RAK Properties' vision and mission. We strive to implement sustainable practices across all our development projects and engage in responsible business operations. Ensuring RAK Properties continues to improve its ESG performance is a Board of Directors and Leadership team priority. Our ESG efforts are geared towards improving the well-being of all our stakeholders, from employees and shareholders to our property tenants and the communities we build and manage. To that end, engaging in fair labor practices and serving our communities are two of our mission-critical principles. In addition, we prioritize remaining transparent in our operations and practices, providing all stakeholders with full insight into our decision-making protocols.

RAK Properties' continued commitment to sustainability is made possible through our robust governance structure. We have created a culture of accountability and responsibility, with stringent checks and balances and operational protocols to keep us aligned with our ESG principles.

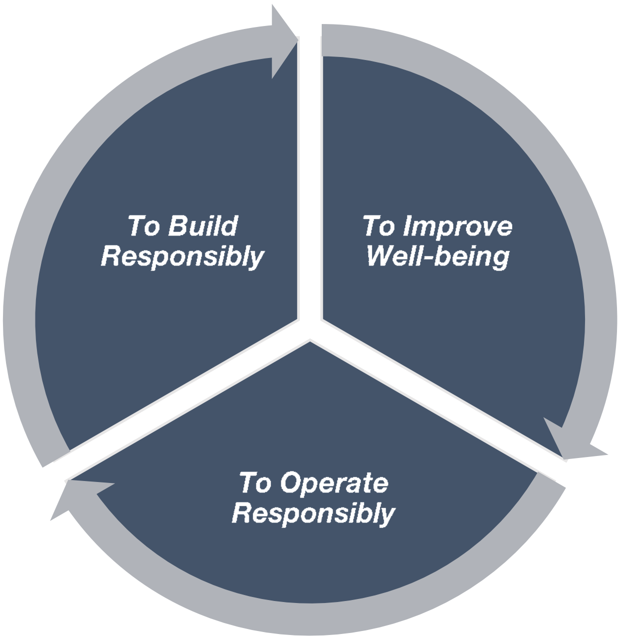
We are on a sustainability transformation journey which, we believe, will ensure the long-term growth of the company and continued value creation for our stakeholders. However, the road ahead is not easy. For one, the global built sector is one of the major contributors to climate change. It is responsible for around 36% of global energy consumption, and generates 29% of total global GHG emissions.

**Greenhouse Gas Emissions in the Real Estate Sector**




Source: Global ABC/IEA/UNEP (2020)

To play our part in managing our impact on the environment, we are reorienting our operations in line with sustainability principles. This is part of our multi-faceted approach to sustainability. Our high-level Sustainability framework is based on three principles:




1. ***To Build Responsibly:***

As a prolific real estate developer, we are increasingly embedding sustainability principles and practices in the development of our projects. Building responsibly entails a sustainability-driven transformation of the project delivery value chain. Sustainability impacts all the processes, from project design and material procurement to construction and ongoing building maintenance, which is now actively considered and acted upon at RAK Properties. We are also striving to align our project development processes with the circular economy principles to ensure a positive impact on our natural environment and its biodiversity.

2. ***To Improve Well-being:***

At RAK Properties, we are actively improving the quality of life and the economic condition of our communities and society as a whole. To achieve this, we begin each project by mapping out people's needs and the surrounding areas' dynamics. These form the basis for our design and development approach. Throughout the process, we ensure that our projects add value to the communities they are in, as well as enhance the health and well-being of their residents and tenants. The design of our spaces strives to connect people with nature. It comprises of wellness spaces, ample natural light, shaded outdoor areas, and well-planned greenery. We also build strategic locations around Ras Al Khaimah to ensure our residents stay connected with the city and have easy access to all the amenities and facilities they need to thrive. However, what truly sets us apart is our focus on maintaining and improving the experience we deliver. We use digital tools to stay engaged with our community of residents and tenants, collecting regular feedback, and initiating improvement projects to ensure sustained value creation for all.

3. ***To Operate Responsibly:***

Our dedication to operating responsibly entails ensuring the safety and security of our employees, suppliers, contractors, and community members. Real estate construction comes with inherent safety risks that need to be mitigated as per the RAK Municipality guidelines. We have strict safety protocols and health guidelines in place to minimize the threat to the health and well-being of everyone across our construction value chain. Operating responsibly also means we must take ownership of our supply chain and commit to keeping it sustainable. We primarily work with local suppliers and ensure they source materials ethically and responsibly, keeping their environmental footprint in check.

## STAKEHOLDER ENGAGEMENT

We are not alone in our ESG mission. Our stakeholders play a direct role in our ability to achieve our objectives. We firmly believe that maintaining fruitful, engaged relationships with all our stakeholders, from customers, employees, and investors to suppliers, regulators, and contractors, is the key to RAK Properties' growth and prosperity.

Our success depends on our ability to consistently cater to our stakeholders' needs. The first step in achieving this is to clearly understand who our stakeholders are and what they expect from us and then maintain a clear and open line of communication with them. Below is the list of the company's key stakeholders:


Engaging with our stakeholders is essential to conducting a materiality assessment, identifying our material ESG topics, and enhance our ESP performance. The table below provides further insight into our stakeholder engagement map.

| Key Stakeholders Group | Engagement Methods | Needs & Expectations |
|---|---|---|
| Clients | - Various entities coordinating with the clients in all the stages of preparation and service including a specialized department to deal with the clients<br>- Social media (mainly via Instagram and Facebook)<br>- Company's Ads<br>- Website<br>- Marketing and advertising materials<br>- Online clients' feedback | Friendly, warm and customer centric service<br>Clear and responsive communication channels<br>Communication of Project Statuses |
| Board of Directors | - Organized meetings attended in person or over the phone<br>- Board and related committee meetings<br>- Company's events<br>- Annual general assembly | Strong balance sheet and healthy cashflow<br>Strong market positioning<br>Reliable corporate governance<br>Dynamic risk management by accounting for liabilities |
| CEO & Executive Management | - Regular management meetings<br>- Weekly/monthly meetings with sales and business<br>- development teams<br>- Performance evaluation<br>- Company training<br>- Company's events<br>- An open-door policy.<br>- Internal company advertisements<br>- Company's awards and certificates of appreciation<br>- Exit Interviews | Attractive benefits/compensation.<br>Recognition and rewards.<br>Healthy and inclusive work environment.<br>Empowerment and equal opportunity.<br>Open communication channels. |
| Shareholders | - Annual general assembly<br>- One-on-one meetings in person or over the phone<br>- Regular and regulatory disclosures for companies | Strong balance sheet and healthy cashflow.<br>Transparency, accountability, and disclosure.<br>Strong market positioning.<br>Reliable corporate governance.<br>Dynamic risk management by accounting for liabilities. |
| Government & Regulators | - Direct engagement through emails and meetings<br>- Local forums<br>- Webinars | Compliance with legal and regulatory requirements through reliable corporate governance.<br>Alignment to national strategies and visions.<br>Protecting the consumer. |
| Community | - Local initiatives and volunteer activities | Employment opportunities.<br>Advancing social development.<br>Enriching local human resources. |
| Suppliers | - Regular meetings<br>- Regular review of the business<br>- Ensure that level of service is suitable to the strategy | Timely payments.<br>Fair and transparent bidding procedures.<br>New opportunities for engagement and interaction. |
| Rating Agencies | Regular meetings related to the annual evaluation | Transparency, accountability, and disclosure. |

## MATERIALITY ASSESSMENT

A successful Sustainability strategy is grounded in understanding the organization's material ESG issues. Material issues refer to the sustainability concerns that affect RAK Properties' ability to achieve its vision and mission that are important to our stakeholders, and directly affect our ability to generate short- and long-term stakeholder value.

To identify its key material topics, RAK conducted a renewed materiality assessment exercise in 2022. We did a peer analysis and benchmarked ourselves against existing parameters in the industry. Our 2022 materiality assessment revealed three additional ESG topics, bringing our total material topics to 11.

| | RAK Properties 2021 Material Topics | RAK Properties' 2022 Material Topics |
|---|---|---|
| 1 | Financial Performance | Financial & Economic Performance |
| 2 | Data protection and customer privacy | Environmental Impact & Sustainability Practices |
| 3 | Digitizing | Governance, Ethics, & Transparency |
| 4 | Recruitment practices | Responsible Supply Chain |
| 5 | Developing the prowess of employess | Community Engagement |
| 6 | Equal opportunity, diversity and inclusion | Digitalization & Transformation |
| 7 | Environmental Impact and Sustainability Practices | Data Protection & Customer Privacy |
| 8 | Society | Quality & Safety standards |
| 9 | | Training & Skill development |
| 10 | | Employee equality in opportunity, diversity, & inclusion |
| 11 | | Climate Risk Management |

The peer analysis allowed us to better align our sustainability priorities with industry best-practices. Here is what our material topics entail:

1. Financial & Economic Impact

We must maintain strong financial and economic performance to contribute to our economy, grow our business, minimize risk, and create value for our stakeholders.

2. Environmental Impact & Sustainability Practices

Minimizing our environmental impact is a strategic priority. It is critical to our objective of operating responsibly and staying compliant with regulations as well as the expectations of our stakeholders. We must also integrate sustainability practices to protect our business against climate risk.

3. Governance, Ethics, & Transparency

National and international regulatory demands require us to uphold the highest standards of ethics, transparency, and honest governance.

4. Responsible Supply Chain

We must ensure that the suppliers, contractors, and partners we work with embrace sustainable practices and comply with our sustainability expectations and code of conduct.

5. Community Engagement

We need to support local communities and invest in the growth of the Emirate of Ras Al Khaimah. Our investments, programs, and initiatives achieve a positive impact by providing financial support, addressing regional needs, and diversifying the local economy.

6. Digitalization & Transformation

To stay agile, informed, and efficient, we leverage state-of-the-art technology and digital tools to improve our project development, delivery, and maintenance. Through digitalization, we can serve our customers better.

7. Data Protection & Customer Privacy

As we transition to digital operations, we must protect customer and stakeholder data. We will never compromise the security and privacy of our people.

8. Quality & Safety Standards

We adhere to stringent safety and quality guidelines, protocols, and regulations to ensure the safety of our staff, construction teams, and, ultimately, our residents and tenants.

9. Training & Skill Development

We can consistently deliver exceptional results due to our focus on employee training and development. We must continue investing in the growth of employees, helping them develop skills and progress in their careers.

10. Diversity, Inclusion, & Equal-Opportunity

We are an equal opportunity employer committed to diverse hiring practices and fostering an inclusive work environment.

11. Climate Risk Management

We are continually assessing the risks and impact of climate change on our properties and business operations. Our assessments inform our decision-making, which is geared toward minimizing our exposure to climate risk.

## OUR ALIGNMENT WITH THE SDGS

National and international sustainability agendas worldwide are all pushing for the rapid decarbonization of the construction and real estate sector. At RAK Properties, we are aligned with key sustainability initiatives. Furthermore, we recognize our capacity to influence change as one of the UAE's most prominent real estate developers and a public company in Ras Al Khaimah. We are in a unique position to help the UAE lead the world in the fight against climate change and progress towards its national agendas, such as the 'We the UAE 2031' Vision, as well as international initiatives such as the Paris Agreement, UN 2030 Agenda for Sustainable Development, and the 17 UN SDGs.

*The Sustainable Development Goals*

The United Nations has outlined 17 Sustainable Development Goals (SDGs), which provide the world with a blueprint for a fully sustainable future. They consider every aspect of the global economy, environment, society, and governance that needs to be improved to build a better world for all.

Introduced in 2015, the 17 SDGs reflect a shared vision for the future. They are clear and detailed in assigning each relevant stakeholder well-defined duties. The goals also notably emphasize the importance of public-private partnerships.

Given their comprehensive, inclusive, and action-oriented approach to sustainability, the SDGs underpin the UAE's national sustainability agenda and strategies, including the UAE Vision 2031. They also provide us, at RAK Properties, with a sounding board for our sustainability initiatives. We are constantly looking for newer ways of embedding material SDGs into our operations and driving progress toward achieving them locally and globally.

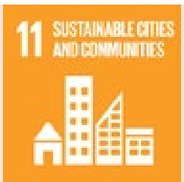
*'We the UAE 2031' Vision*

We are strategically positioned to drive sustainable growth in core industries in the UAE, including real estate, construction, hospitality, and tourism. We are aligned with the UAE's 'We the UAE 2031' Vision which outlines the government's 10-year strategy for attracting investments and driving sustainable innovation in the country. Our responsible, ESG-oriented operations support the UAE's transformation into a global economic hub.

*Measuring Our Contribution to SDGs and National Visions*

As part of its ESG reporting, RAK Properties took steps to measure its contribution to the relevant SDGs. In addition, we have assessed how we can impact the goals outlined in UAE's 'We the UAE 2031' Vision.

We used the SDG Compass developed by the triune of the GRI, the United Nations Global Compact, and the World Business Council for Sustainable Development (WBCSD) to determine all relevant and material SDGs. The initial assessment revealed 11 SDGs on which RAK Properties could have a meaningful impact.

| SDG | SDG Implication | How Can We Contribute |
|---|---|---|
|   | Ensuring access to affordable, reliable, and sustainable energy | • Controlling our climate change contribution by investing in a sustainable supply chain, optimizing our energy use, designing energy-efficient buildings, and ensuring sustainable construction. |
|   | Taking urgent action to combat climate change and its impacts | |
|   | Ensuring healthy lives and promoting wellbeing | • Effectively managing construction and end-of-life waste generation and disposal to keep our communities clean, safe, and healthy.<br>• Implementing circular economy principles across our value chain. |
|   | Ensuring sustainable management of water & sanitation for all | |
|   | Ensuring sustainable consumption and production patterns | |
|   | Making cities and settlements inclusive, safe, resilient, and sustainable | • Developing quality residences and commercial buildings sustainably.<br>• Ensuring our spaces are safe, and accessible by all, and promoting the well-being of residents. |
|   | Ending all forms of poverty everywhere. | • Providing affordable and inclusive housing, creating employment in our communities, and ensuring compliance with fair labor practices and human rights<br>• Supporting the creation of productive communities where everyone enjoys quality living. |

| | | |
|---|---|---|
| 8 DECENT WORK AND ECONOMIC GROWTH | Promote sustained and inclusive economic growth and productive work for all | |
| 10 REDUCED INEQUALITIES | Reducing inequality within and among nations | |
| 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | Promoting peaceful, inclusive, and just societies with strong governance | |

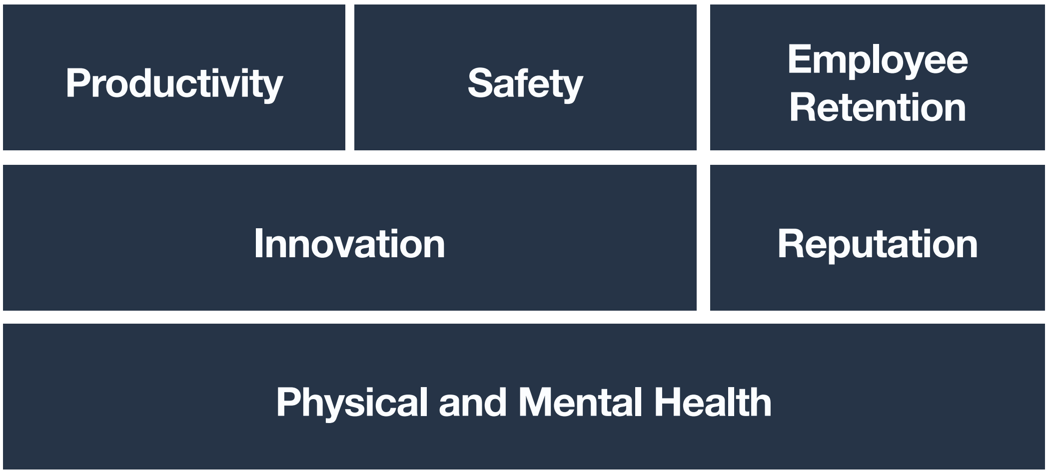
**People**

(GRI 202-2, GRI 401-1, GRI 401-2, GRI 403-8, GRI 403-9, GRI 404-1, GRI 404-2, GRI 404-3, GRI 405-1, GRI 405-2, GRI 406-1, GRI 413-1, S1, S2, S3, S4, S5, S6, S9, S10, S11, S12)

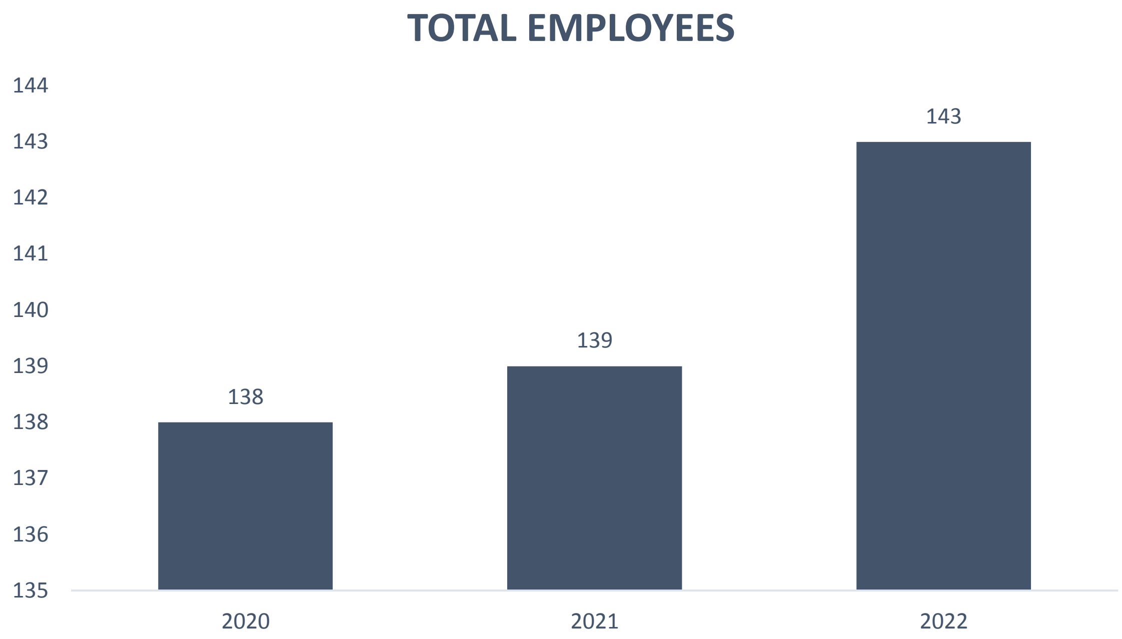
### INVESTING IN OUR EMPLOYEES

RAK Properties recognizes the value its employees bring to the organization. We consider our employees a critical asset for the company. Investing in their mental, emotional, and physical well-being delivers higher returns as improved productivity. It is why we strive to create a positive work culture to leverage greater employee engagement and efficiency.

Supporting employee well-being creates distinct advantages for the company. It increases overall productivity and innovation, ensures employee retention, lowers healthcare costs, and enhances the company's reputation.




RAK Properties ensures its employees feel appreciated and valued. One of the ways we do that is through annual increments and year-end bonuses. To promote mental health, the company encourages a healthy work-life balance. It offers discount cards to its employees to use for leisure. In addition, all employees at RAK Properties, regardless of level, get one of the best health insurances in the country with extensive coverage and benefits.





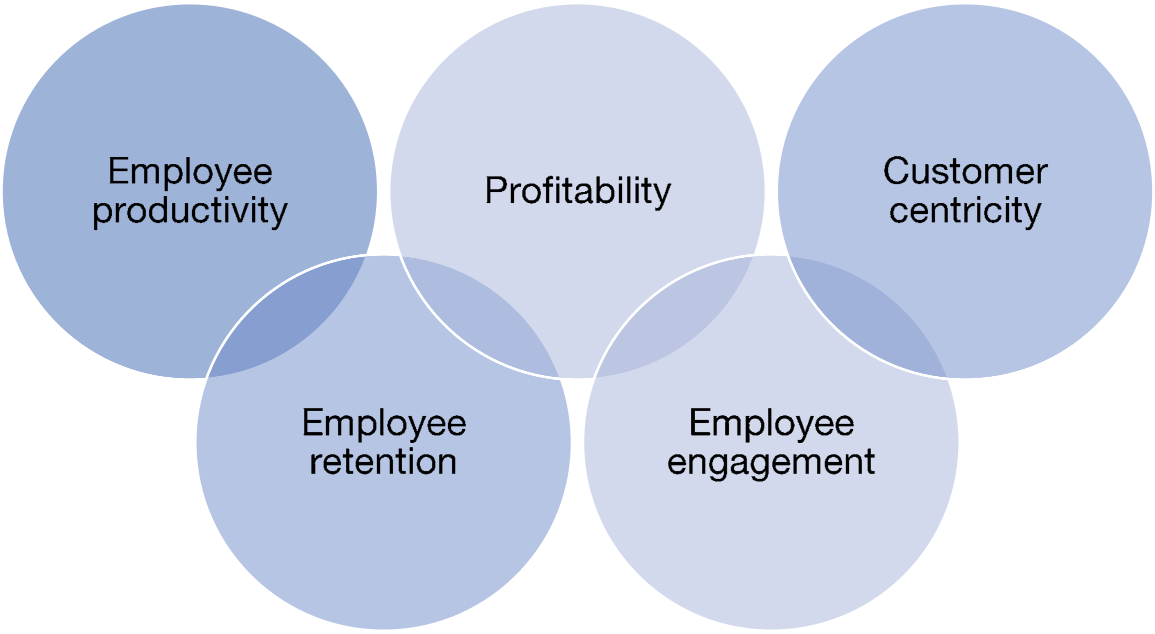
| 2022 Breakdown by Gender | Number of Employees |
|---|---|
| Male | 112 |
| Female | 31 |
| **Total** | **143** |

**Employee Engagement**

Employee engagement is integral to ensuring greater productivity and employee satisfaction. RAK Properties strives to engage and nurture its employees through company-wide policies that include rewards and incentives, open communication, work-life balance, and career growth and talent development opportunities.

Our HR team conducts annual surveys to gauge employee satisfaction. The feedback from these combinations informs future policies, recruitment practices, and employee management decisions.

The surveys are designed to cover critical issues like employee needs, individual contribution, teamwork, career progression, and personal development. They measure employee performance and engagement across five key attributes:




Employee survey results for 2022 indicate positive employee engagement with an overall employee satisfaction of 91%.

**Diversity and Inclusion**

RAK Properties is an equal-opportunity employer and promotes diversity and inclusivity in its workforce. With merit-based career progression and rewards, employees feel their work is valued and appreciated.

A diversity of workforce leads to innovation and creativity in the company's strategic planning and operations. An inclusive work environment also leads to greater talent acquisition as more people are attracted to an employer that values individual skills and capabilities.

RAK Properties achieves this by creating an inclusive workplace across our offices and business operations. In addition, we have a zero-tolerance policy for discrimination of any sort. The company also has formal systems that identify each employee's rights and responsibilities.

In 2022, our diverse employee pool consisted of 18 nationalities.

| TOTAL EMPLOYEES BY JOB CATEGORY AND BY GENDER | | | | | | |
|---|---|---|---|---|---|---|
| | Entry-Level | | Mid-Level | | Senior-to-Executive Level | |
| Year | Male | Female | Male | Female | Male | Female |
| 2020 | 100.00% | 0.00% | 73.74% | 26.26% | 90.91% | 9.09% |
| 2021 | 100.00% | 0.00% | 69.70% | 30.30% | 100.00% | 0.00% |
| **2022** | **100.00%** | **0.00%** | **70.41%** | **29.59%** | **81.82%** | **18.18%** |

| TOTAL EMPLOYEES BY JOB CATEGORY AND BY AGE GROUP | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Entry-Level | | | Mid-Level | | | Senior-to-Executive Level | | |
| Year | Below 30 y.o. | 30-50 y.o. | Over 50 y.o. | Below 30 y.o. | 30-50 y.o. | Over 50 y.o. | Below 30 y.o. | 30-50 y.o. | Over 50 y.o. |
| **2020** | 6.67% | 76.67% | 16.67% | 6.60% | 82.08% | 11.32% | 0.00% | 50.00% | 50.00% |
| **2021** | 20.00% | 73.33% | 6.67% | 13.13% | 78.79% | 8.08% | 0.00% | 70.00% | 30.00% |
| **2022** | 17.65% | 76.47% | 5.88% | 13.27% | 77.55% | 9.18% | 0.00% | 54.55% | 45.45% |

| TOTAL NEW HIRES BY GENDER | | | | | |
|---|---|---|---|---|---|
| Year | Male | % | Female | % | TOTAL |
| **2020** | 8 | 7.21% | 9 | 33.33% | **17** |

| | | | | | |
|---|---|---|---|---|---|
| **2021** | 28 | 25.69% | 9 | 30.00% | **37** |
| **2022** | 21 | 18.75% | 6 | 19.35% | **27** |

| TOTAL NEW HIRES BY AGE GROUP | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Below 30 y.o.** | | **Between 30-50 y.o.** | | **Over 50 y.o.** | | **TOTAL** |
| **Year** | **#** | **%** | **#** | **%** | **#** | **%** | |
| **2020** | 5 | 50.00% | 12 | 10.81% | 0 | 0.00% | **17** |
| **2021** | 9 | 47.37% | 26 | 24.30% | 2 | 15.38% | **37** |
| **2022** | 8 | 42.11% | 14 | 12.96% | 5 | 31.25% | **27** |

| TOTAL EMPLOYEES THAT LEFT BY GENDER | | | | | |
|---|---|---|---|---|---|
| **Year** | **Male** | **%** | **Female** | **%** | **TOTAL** |
| **2020** | 13 | 11.71% | 5 | 18.52% | **18** |
| **2021** | 28 | 25.69% | 7 | 23.33% | **35** |
| **2022** | 15 | 13.39% | 4 | 12.90% | **19** |

| TOTAL EMPLOYEES THAT LEFT BY AGE GROUP | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Below 30 y.o.** | | **Between 30-50 y.o.** | | **Over 50 y.o.** | | **TOTAL** |
| **Year** | **#** | **%** | **#** | **%** | **#** | **%** | |
| **2020** | 1 | 10.00% | 15 | 13.51% | 2 | 11.11% | **18** |
| **2021** | 4 | 21.05% | 28 | 26.17% | 3 | 23.08% | **35** |
| **2022** | 3 | 15.79% | 14 | 12.96% | 3 | 18.75% | **19** |

| **Year** | TOTAL NEW HIRE RATE | TOTAL TURNOVER RATE |
|---|---|---|
| **2020** | 12.3% | 13.0% |
| **2021** | 26.6% | 25.2% |
| **2022** | 18.9% | 13.3% |

| TOTAL NUMBER OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW, BY GENDER | | | |
|---|---|---|---|
| **Year** | FEMALE | MALE | PERCENTAGE OF TOTAL WORKFORCE |
| **2020** | 27 | 111 | 100% |
| **2021** | 30 | 109 | 100% |
| **2022** | 31 | 112 | 100% |

| TOTAL NUMBER OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW, BY JOB CATEGORY | | | |
|---|---|---|---|
| **Year** | Entry-Level | Mid-Level | Senior-To-Executive Level |
| **2020** | 28 | 99 | 11 |
| **2021** | 30 | 99 | 10 |
| **2022** | 34 | 98 | 11 |

### Emiratization

As a public joint stock company, we closely align with the policies of the Ministry of Human Resources and its objectives to increase employment opportunities for the country's citizens – especially in strategic sectors such as real estate development.

RAK Properties is also committed to facilitating the talent and skill development of Emiratis employed in the company. We have undertaken several initiatives to increase the proportion of Emiratis employed in our workforce, including offering them exclusive benefits. Hiring locally strengthens the nation's economy by generating income for the national population, who are more likely to reinvest that capital in the local market. They are also strategic hires because of their familiarity with local culture and value systems. They can also ensure that future development projects align with community needs and requirements.

At the end of the year, the percentage of UAE nationals in our workforce has remained steady at an average of 18%.

| Year | TOTAL FEMALE UAE NATIONALS | TOTAL MALE UAE NATIONALS |
|---|---|---|
| **2020** | 69% | 31% |
| **2021** | 70% | 30% |
| **2022** | 70% | 30% |

### Female Empowerment

RAK Properties is proud to foster a work environment that champions gender equality and provides a safe workspace for women. We also pride ourselves in having a high female representation percentage amongst the total workforce, sitting at around 21.68% of the workforce.

A higher percentage of women employees, especially in leadership roles, leads to an improvement in financial performance, generates more innovation in business functions, and creates an overall positive workplace culture.

In addition, promoting gender equality in the workplace is a moral obligation for large corporations like RAK Properties, as this leads to a more just and equitable society.

The overall median earnings for women in 2022 were around 57% to 43% of the pay ratio of women to men.

- **Youth Empowerment**

RAK Properties is committed to youth empowerment and considers it critical to a country's economic growth. The company's youth empowerment policies involve two key programs:

**Intilaqah Program**

- Intilaqah is a counselling program that aims to prepare a generation of students who are keen on enrolling in the top national and international universities in various disciplines that meet the needs of the labor market and nurture the priority industries in alignment with the UAE strategy.

**Nafis Program**

- 'NAFIS' is a federal program to increase the competitiveness of Emirati human resources and empower them to occupy jobs in the private sector. Launched as part of 'Projects of the 50', the program aims to accelerate the UAE's development journey and boost the economy, and so far at RAK PRoperties, we have employed 3 Nafis Trainees as Company full time Employees.

### Employee Training and Skill Development

Investing in employee training and development generates higher productivity and efficiency in the workplace. It also leads to greater employee retention as people are more likely to commit to a company that provides them with personalized learning and growth opportunities.

RAK Properties builds training and development programs for its employees through formal evaluation methods. These systems address the specific needs of employees according to their skill set and job requirements. The training programs are offered to all employees of the organization. Each year our Human Resource Department collaborates with different divisions to identify opportunities for career growth and skill development to create a training calendar for the following year.

| TOTAL TRAINING HOURS BY GENDER | | | |
|---|---|---|---|
| Year | Female | Male | TOTAL |
| 2020 | 36 | 240 | 276 |
| 2021 | 98 | 492 | 590 |
| 2022 | 219 | 318 | 537 |

| TOTAL TRAINING HOURS BY JOB CATEGORY | | | | | |
|---|---|---|---|---|---|
| Year | Labour | Entry-Level | Mid-Level | Senior-to-Executive Level | TOTAL |
| 2020 | 53 | 95 | 37 | 91 | 276 |
| 2021 | 298 | 229 | 59 | 4 | 590 |
| 2022 | 82 | 224 | 63 | 168 | 537 |

### OUR CUSTOMERS

Customer satisfaction is the key to any business success. This is why the driving principle at RAK Properties is to offer customized and personalized business solutions to fulfill client-specific requirements.

To improve service quality and elevate its standards, RAK Properties offer their customers a variety of communication methods with the aim of presenting customers the ability to directly raise a request, conduct payments and simply to follow up. Customer journey and experience goes hand in hand with the user experience and RAK Properties have developed a unique software that covers the overall clients ticketing from opening to closers, and with the service level maintained the priority is selected as per each service to ensure timely turnaround on customer inquiry based on the ticket priority.

Furthermore, RAK Properties conducts customer surveys to gauge performance and identify improvement areas. The surveys yield several key benefits for the organization to help us improve business functions. These include:

- *Gather feedback:* Customer surveys allow RAK Properties to evaluate its performance at every business touchpoint involving customer interactions.
- *Identify issues:* These surveys provide valuable information that helps us identify key areas for improvement and formulate solutions.
- *Benchmark performance:* Regular surveys provide data needed to assess overall service and quality improvement and facilitate comparison against industry benchmarks.
- *Improve customer loyalty:* Listening to customers and asking for their feedback demonstrates RAK Properties' commitment to improving customer service and enhances engagement and loyalty toward the business.
- *Data-driven decisions:* Making informed decisions based on data gathered from customer surveys leads to more effective policies and changes in business functions that maximize results.

RAK Properties also values its relationship with investors and all key stakehoders. We keep them updated on key developments and ongoing projects, which inspires greater confidence in the organization's capabilities. Being transparent on our internal processes reassures our stakeholders that their interests are protected and that value is generated to all.

### Safeguarding Customer Data

As a large business organization, it is important to establish trust in our customer relationships. Our business functions require detailed information about our clients and projects. Therefore, maintaining the confidentiality and security of all customer data and information is our priority. To achieve security and efficiency, RAK Properties is moving away from paper-based systems and adopting digital processes. We have also installed state-of-the-art, sophisticated security systems to keep all digital data secure and impenetrable.

| TOTAL NUMBER OF SUBSTANTIATED COMPLAINTS RECEIVED CONCERNING BREACHES OF CUSTOMER PRIVACY | | | |
|---|---|---|---|
| **Year** | **Total number of complaints received from outside parties and substantiated by the organization** | **Total number of complaints from regulatory bodies** | **Total number of identified leaks, thefts, or losses of customer data** |
| **2020** | 0 | 0 | 0 |
| **2021** | 0 | 0 | 0 |
| **2022** | 0 | 0 | 0 |

### Robust security systems and IT policies

RAK Properties has established formal procedures and safeguards that protect against data breaches. These procedures are followed across all departments and divisions without exception. Any company employee who compromises our information technology policy, gains unauthorized access, or discloses confidential information, will come under disciplinary review.

Our digital systems are password protected and require proper login to get access. Furthermore, each employee is given restricted access to data on a need basis. The company's IT department regularly reviews all systems to maintain security and efficiency. RAK Properties also uses third-party digital security services to ensure data protection. All contracts with external parties are disclosed to our stakeholders in the interest of transparency and to avoid legal violations.

Lastly, RAK Properties is currently in the process of implementing the ISO27001:2022, which is an information security management system standard that provides a list of compliance requirements against which the company and professionals can be certified. It will help RAK Properties establish, implement, maintain, and improve its' information security management system (ISMS).

### Digital Transformation

RAK Properties is always striving to improve processes and make our services more efficient and expedient. Incorporating digital technology has greatly streamlined internal processes and improved customer services. To facilitate customers, RAK Properties enables customers to access services through online platforms, mobile applications, and WhatsApp.

By digitalizing 25 key services, we have facilitated customers in:

- Creating online accounts and accessing data.
- Making online payments, such as rent, sales, and utilities.
- Requesting maintenance services such as plumbing and electrical services.
- Requesting NOCs.

## COMMUNITIES

### Building a Sustainable Future

RAK Properties is one of the leading construction companies in the UAE. We aim to leverage our influence in the real estate development sector to promote environmentally, socially responsible, and sustainable practices.

It is our corporate social responsibility (CSR) to contribute to the sustainable development of the country's economy and deliver economic, social, and environmental benefits to all our stakeholders.

To fulfil its social responsibility, RAK Properties contributed to different welfare and development programs, such as providing support to centres for people with disabilities and care homes.

We also invest in environmental sustainability to protect and conserve our natural environments and ecosystems. We supported efforts to conserve the mangrove forests of the UAE, as well as wildlife conservation projects.

### Responsible Resource Procurement

RAK Properties' commitment to corporate social responsibility also extends to its supply chain. Prospective suppliers and contractors will increasingly be vetted to ensure they uphold our environmental, social, and governance (ESG) values.

We will look to ensure that our suppliers incorporate eco-friendly practices in their operations, source materials sustainably, and follow safety standards and fair labor practices for all employees. Moreover, to promote ethical and transparent practices, we only sign contracts with companies that hold official licensing in the countries of their base operations.

RAK Properties CSR commitment also includes supporting local businesses and contributing to the country's economic growth. This year 99% of RAK Properties' procurement contracts were signed with suppliers based in the UAE with a combined value of AED 17 million.

Moving forward, we will update and improve our procurement policies to ensure their continued alignment with our ESG principles.

### Sustainable Practices

Real estate development substantially impacts the environment, which is why RAK Properties will look to ensure that all materials used in the construction and maintenance of its projects are sustainably sourced and eco-friendly. We also follow strict safety protocols for our workers and employ fair labor practices. Additionally, we require our suppliers and contractors to follow environmentally and socially ethical practices.

In line with our sustainability goals, all our properties are smartly designed to conserve energy and water. They also use environmentally friendly materials. Not only does this help conserve natural resources, but it also lowers operational costs, improves performance, and increases the long-term value of our properties. We also strictly comply with RAK municipality building codes in our design and construction.

Our procurement processes include procedures to verify responsible sourcing of materials. This entails ensuring that our suppliers and contractors follow RAK Municipality practices and labor laws.

We evaluate the workplace conditions of our suppliers to ensure compliance with safety regulations.

1. Our procurement contracts contain formal clauses requiring suppliers to follow responsible practices.
2. Cooperation with governmental and nongovernmental organizations is essential to successfully carry out sustainability initiatives.

RAK Properties is looking at ensuring sustainable and environmentally friendly practices and procurement for real estate development down the line as we are aware of the long-term benefits to reap for our planet. By enforcing our ESG standards across the board, RAK Properties can build a sustainable and socially equitable future.

### Health & Safety

(GRI 403-8, 403-9, 403-10, S7, S8)

Health and Safety (H&S) are vital to the business success and ESG sustainability at RAK Properties. We are accountable for protecting the well-being of our employees, contractors, tenants, and overall communities. To fulfil our responsibility to the best of our abilities, we have implemented a series of health and safety measures across the organization and our properties to minimize accidents, injuries, and risks to the health of our people. Fostering a culture that prioritizes the well-being of its people has also been instrumental in helping us keep employee morale and productivity high, our customers satisfied and thriving, and the rest of our stakeholders happy.

Ensuring safety in our workplace and across the construction of our projects is especially important to us. We strive to regularly update our safety procedures and inspections to ensure protection against new threats and developing environmental conditions. As a testament to our commitment to occupational health and safety, we are ISO 45001:2018 certified. ISO 45001 is an international safety standard that specifies the requirements for implementing an occupational health and safety (OH&S) management system designed to keep workplaces safe and prevent accidents and injury. Our ISO 45001 certification complements our ISO 9001:2015 certification, confirming our compliance with rigorous quality management protocols.

To receive the ISO 45001 certification, RAK Properties focused on the following areas:

1. **Continual Improvement of H&S Performance**

In line with our commitment to bolster H&S at RAK Properties, we took these measures in 2022.

- Implemented a comprehensive H&S management system.
- Conducted regular health and safety inspections.
- Provided H&S training and education to employees.
- Implemented effective emergency response procedures.
- Continually reviewed and improved our H&S approach.

2. **Fulfilment of Legal & Government Regulations**

We ensure our operations comply with the Ras Al Khaimah Municipality guidelines on Health and Safety. They are commonly referred to as the Building Code of Ras Al Khaimah.

3. **Achieving our H&S objectives**

To achieve our H&S objectives for 2022, we:

- Instituted a company-wide comprehensive H&S policy.
- Conducted risk assessments.
- Focused on employee involvement and training.
- Monitored and audited our safety practices.

*Health & Safety Training at RAK Properties*

Having the right policies is the first step toward achieving a safe and healthy work environment. We must follow proper and continued staff training in the H&S protocols instituted.

In 2022, we provided a training to our employees in the following areas:

- Emergency preparedness and response procedure
- Table-top evacuation drill
- Firefighting
- First-aid training
- 5S system and good housekeeping

Training in operational procedures and physical activities such as manual lifting, use of ladders, etc.

Providing these trainings to our employees helps us ensure minimum accidents and injuries in the workplace. They also improve worker efficiency and productivity of our construction projects due to reduced downtime and work lost due to accidents.

In 2022, we maintained our stellar H&S track record. In a total of 567,329 hours worked, we experienced zero fatalities, zero lost-time injuries, zero high-potential and near-miss incidents, and only one instance of a first-aid case. This year, we also maintained a 0% incident rate of 518,242 hours worked across our contractors' operations. Along with our operational H&S, we strive to ensure the same across all contractors.

Moving forward, we are committed to maintaining this record by continually reviewing and revising our safety policies and procedures and our H&S management system, which covers all our employees. We are also planning to update our work hazards database to ensure our employees are equipped with the resources they need to maintain their health & well-being in the coming year.

**Planet**
(GRI 302-1, GRI 302-2, GRI 302-3, GRI 303-5, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 306-3, GRI 307-1, E1, E2, E3, E4, E5, E6)
**Managing Our Environmental Footprint**

Environmental sustainability is a key sustainability priority for us. As a prominent property developer listed on the Abu Dhabi Stock Exchange, we are uniquely positioned to help the UAE achieve its sustainability goals.

At RAK Properties, our environmental impact stems from two places.

1. ***RAK Property Offices:*** We carefully track and monitor the environmental impact of our offices. GHG emissions generated by our offices constitute a small percentage of our total emission footprint. Still, we have devoted ourselves to transitioning to a circular workplace. This entails reducing our emissions further and focusing on recycling, energy management, water conservation, and waste management initiatives.
2. ***Real Estate Projects:*** Most of our environmental footprint arises from the development, construction, and operation of our properties. We are transitioning our current buildings to become more sustainable and to reduce their environmental impact. In addition, we are focusing on embedding sustainable design and construction practices for upcoming projects to make our future properties energy efficient and sustainable in terms of energy use, waste disposal, water management, and more. This will allow us to preserve asset value in the eyes of property owners and buyers as they shift their focus toward sustainable real estate.

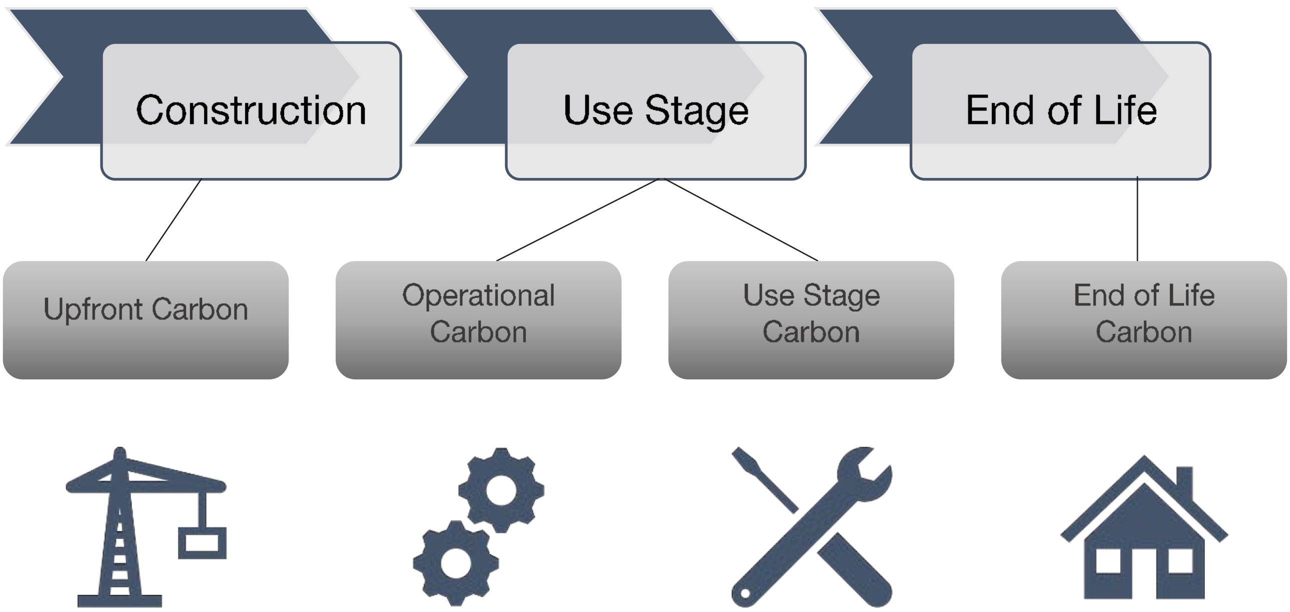
Measuring our Green House Gas (GHG) emissions is central to reducing our environmental impact. This year, we initiated the computation of emissions under the GRI scope 1 and scope 2. The results are provided in the ESG performance indicators section.

In addition, we are continuously trying to increase our awareness and build a deeper understanding of how the 'built' sector is impacting environmental degradation and climate change. As the sector is a prime contributor to climate change, we must collectively improve our sustainability measures across our buildings if we hope to achieve the 1.5-degree Celsius temperature target outlined in the Paris Agreement.

To identify the best pathways to decarbonizing our properties, we plan to assess their lifetime emissions, including embodied carbon. Embodied carbon refers to emissions generated during property construction, maintenance, and disposal. In contrast, the standard operational carbon encompasses emissions from the building's heating, cooling, and energy use during its operational lifetime.

Based on research by the World Business Council for Sustainable Development, the latter represents 50% of total emissions. In comparison, 20% is embodied carbon tied to operating and maintaining buildings, and 30% is related to their construction.

Based on our initial assessments, below is a map of our impact as a real estate developer on the various lifecycle emission stages of the 'built' sector.



We will continue to monitor our impact based on specified KPIs.

**ENVIRONMENTAL FOOTPRINT**

RAK Properties is conscious of our carbon footprint, which is why we closely monitor our energy and emissions data. We know that we have a role to play as an organization in addressing climate change, and we are working diligently to reduce our environmental impact.

### *ENERGY CONSUMPTION*

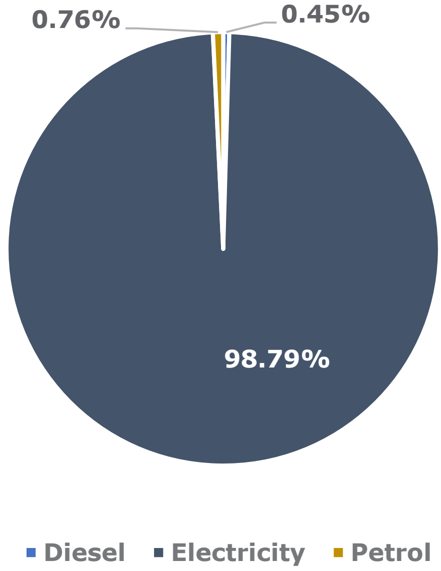
| Energy Consumption | Scope | Unit | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Fuel consumption for Power Generators (Diesel) | Direct (Scope 1) | GJ | 153.16 | 183.79 | 162.73 |
| Fuel from Owned Vehicles (Gasoline) | Direct (Scope 1) | GJ | 241.29 | 251.34 | 274.80 |
| Electricity | Indirect (Scope 2) | GJ | 34,762.59 | 38,682.84 | 35,866.47 |
| **Total Energy Consumption** | Direct & Indirect (Scopes 1 & 2) | **GJ** | **35,157.04** | **39,117.97** | **36,304.00** |

| Energy Intensity in GJ per Employee | Scope | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Direct Energy – (Diesel) | Direct (Scope 1) | 1.11 | 1.32 | 1.14 |
| Direct Energy – (Fuel) | Direct (Scope 1) | 1.75 | 1.81 | 1.92 |
| Indirect Energy – (Electricity) | Indirect (Scope 2) | 251.90 | 278.29 | 250.81 |
| **Total Energy Intensity** | **Direct & Indirect (Scopes 1 & 2)** | **254.76** | **281.42** | **253.87** |

### *GHG Emissions*

| GHG Emissions (MT $CO_2$ e) | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Scope 1 (Diesel + Fuel)** | 1,367.71 | 2,109.45 | 1,428.85 |
| **Scope 2 (Electricity)** | 1,609,070.39 | 1,713,865.44 | 1,550,293.73 |
| **Scope 3 (Water, Wastewater, Paper, Waste, Business Travel)** | 2,405,824.49 | 2,191,947.99 | 2,271,287.47 |
| **Total** | **4,016,262.58** | **3,907,922.88** | **3,823,010.05** |

### *ENERGY MIX*



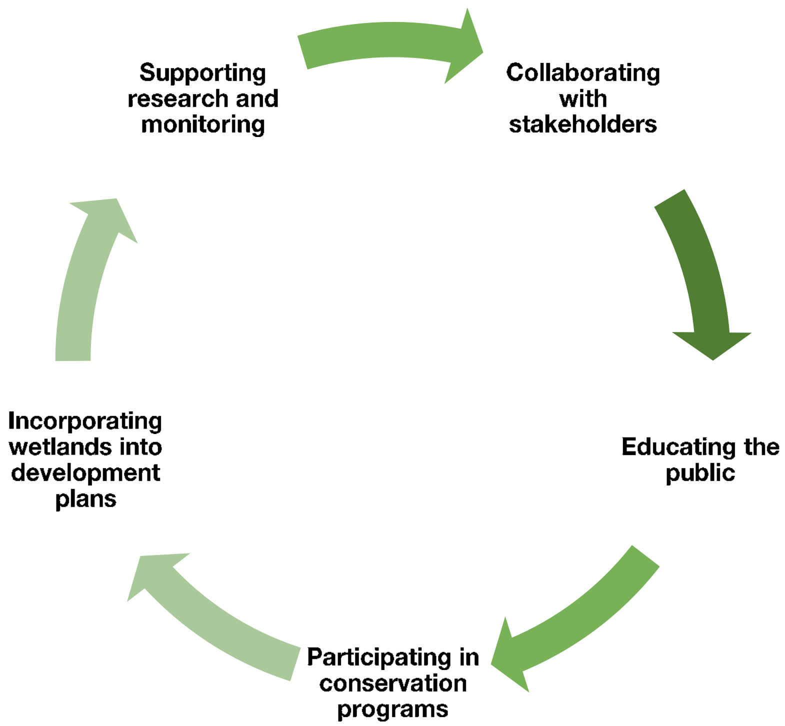

### *WATER CONSUMPTION*

| Water Consumption in $m^3$ | 2020 | 2021 | **2022** |
|---|---|---|---|
| Total Water Consumption | 835,354.73 | 756,022.97 | 792,084.19 |
| Water Consumption per Employee | 6,053.30 | 5,439.01 | 5,539.05 |

**CASE STUDY: Khor Mazahmi is the first protected wetland in Ras Al Khaimah**

A decree was issued in 2018 by His Highness Sheikh Saud bin Saqr Al Qasimi, Supreme Council Member and Ruler of Ras Al Khaimah, directing the creation of a conservation area in Khor Mazahmi. Khor Mazahmi is the first protected wetland area in the RAK Properties' home emirate of Ras Al Khaimah. The Mazahmi wetlands are situated 14 kilometers south of Ras Al Khaimah city and cover an area of 3 square kilometers. They provide an important habitat and food source for various wildlife species, including flamingos. They are also home to the critically endangered green turtle, which features in the IUCN Red List of Threatened Species.

The decree reflects our ruler's commitment to protecting the environment and striking a balance between nature and development. RAK Properties shares the same commitment. We deeply care about preserving our natural resources and biodiversity. Several of our properties either feature or are connected to green areas. For example, our Flamingo Villas in the Mina Al Arab residential community overlook Khor Mazahmi, which includes vast areas of mangroves, wildlife, and different species of flora and fauna. We are dedicated to taking care of the reserve. We do so by:



**Prosperity**
(GRI 201-1, GRI 203-2, GRI 418-1, G8)

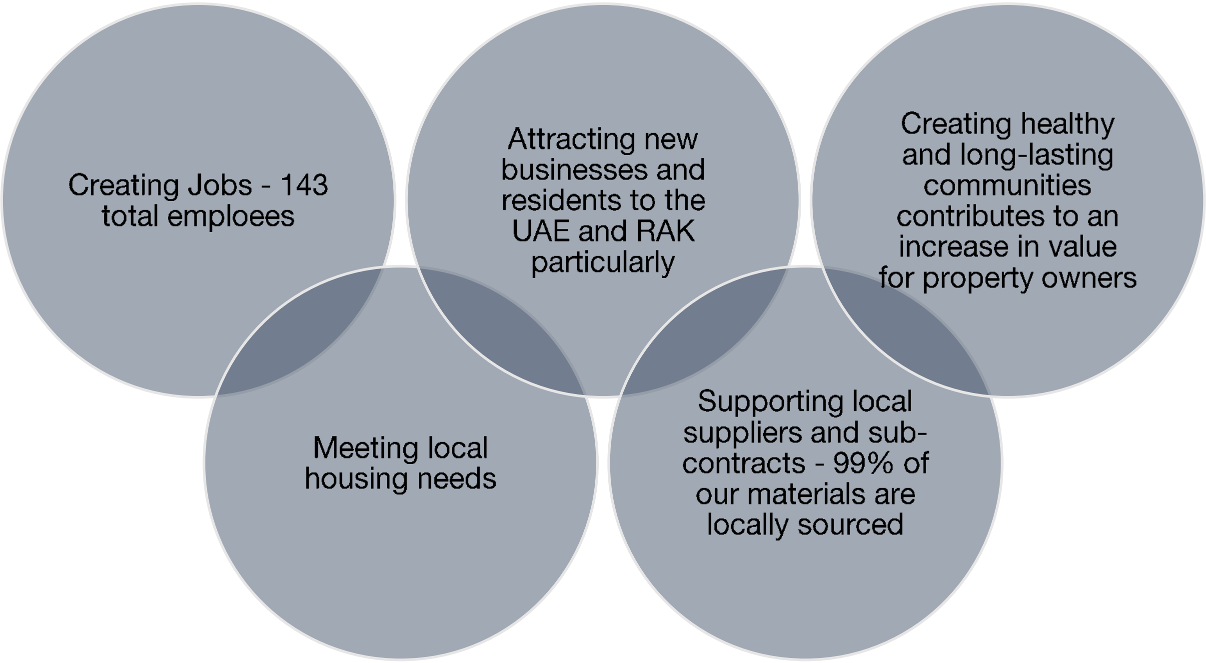
### FINANCIAL & ECONOMIC PERFORMANCE

As the leading real estate company in Ras Al Khaimah, RAK properties directly influences core economic sectors and business players. Our work over the years has been instrumental in advancing the Emirate's economy to position it as one of the forerunners in the country.

Our financial and economic impact stems from the multiple value-creation activities we engage in. Our core business of developing mega real estate projects empowers the local holding market. It improves access to affordable housing across the Emirate and promotes tourism in Ras Al Khaimah.

In addition, we provide productive employment to Emirati nationals as well as the expat population, raising their standards of living and supporting their career growth. Ultimately, we create thriving communities that power the local economy.

Here is a breakdown of our financial and economic contributions:



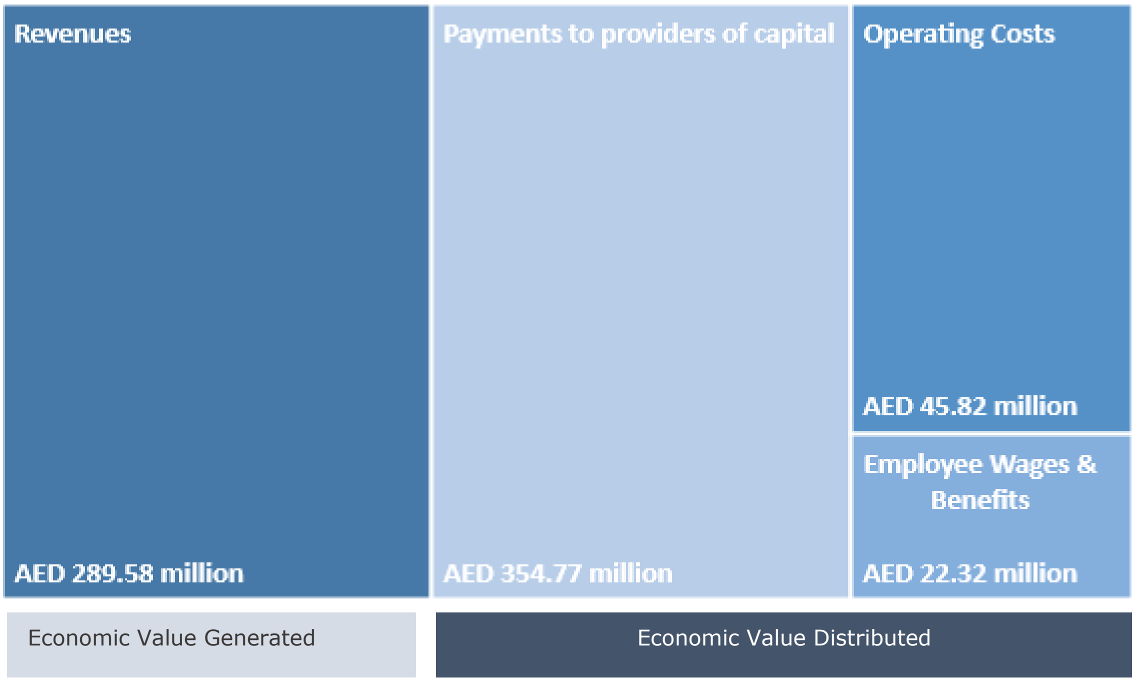

1. *Creating productive employment*: Our real estate projects create jobs across the value chain, engage different businesses, and ultimately provide employees with opportunities to grow.
2. *Providing affordable housing:* Our residential communities are accessible and affordable. We are helping alleviate housing inequality in Ras Al Khaimah and promoting economic mobility.
3. *Attracting new businesses and people:* By developing quality residential and commercial real estate, we are making Ras Al Khaimah an attractive place for people to live and work.
4. *Developing thriving communities*: Our well-planned developments create safe, healthy, and hospitable living conditions for residents. They come together to form thriving communities that create value for the economy.
5. *Improving infrastructure:* Our developments drive infrastructure improvements in key areas of the Emirate.
6. *Supporting the housing market:* By developing useful properties in strategic locations, we play a direct role in the growth of the housing market and the sustained increase in property values across the Emirate of Ras Al Khaimah.

*Measuring our Impact*

We use GRI standards and guidelines to calculate the value created for all stakeholders. We generate stakeholder value specifically through our various revenue streams. Our income is then distributed among suppliers, contractors, employees, government, and other stakeholders in the form of expenses. The remaining value is either distributed as dividends to shareholders or retained for investment in the company.

We have computed RAK Properties' economic value generated and distributed. It covers the following elements:

- Revenues represent direct economic value generated.
- Operating costs, employee wages & benefits, payments to providers of capital, payments to the government, and community investments: These represent the company's economic value distributed.



**A Culture of Ethical Behaviour**
(GRI 2-9, GRI 2-10, GRI 2-11, GRI 2-15, GRI 2-16, GRI 2-17, GRI 2-18, GRI 2-19, GRI 2-20, GRI 2-21, GRI 2-23, GRI 2-24, GRI 2-25, GRI 2-26, GRI 2-27, GRI 205-1, GRI 205-2, GRI 205-3, G1, G2, G3, G4, G5, G6, E8, E9, E10)

## GOVERNANCE STRUCTURE

### Governance Structure

Since the inception of RAK Properties, ensuring proper governance of our operations has remained our primal focus. We believe that upholding the highest ethical standard of corporate governance is essential for our operational potency, firm credibility, and continued market success. Maintaining full compliance with Corporate Governance laws and regulations as well as international standards of ethical practices has allowed us to develop a strong chain of command, a skilled workforce, robust leadership, and structural discipline within all our structures.

The success of an institution is directly proportional to its governance. RAK Properties is proud to have established a culture of responsibility and accountability across the organization. It protects the interests of all stakeholders and creates sustainable value for our business, communities, and local economy. As a company, we adhere to a strict code of conduct to ensure productivity within a principally sound work environment.

Our goal is to uphold our business ideology with the utmost integrity and to ensure that our company values are reflected across the board. Furthermore, we believe that a governance structure with embedded risk management protocols enables us to minimize risks to the company's value system and productivity.

Responsible operations at RAK Properties is only possible with proper oversight. Our governance leaders are tasked with keeping everyone in the company aligned with our ESG goals and integrating ESG factors into our business model.

Our Board of Directors and other governance committees ensure that we are always:

- Keeping the environmental impact of our buildings and infrastructure low. As noted earlier, we are designing energy-efficient buildings using sustainable materials and features that improve air quality, water conservation, and waste management.
- Building spaces that are safe, accessible, and useful with a positive social impact. We provide affordable housing options and embrace a participative design approach involving our future community members.
- Holding ourselves accountable to good project governance and execution. We develop and manage our properties in a transparent, ethical, and compliant manner.
- Considering all three ESG factors across all stages of project development, assessing the long-term sustainability of our buildings.
- Remaining transparent in our reporting, maintaining a relationship based on trust with our stakeholders. We strive to accurately report our ESG impact, financial performance, and business practices regularly.
- Building projects with the future in mind. We want our projects to adapt to climate change and create value for future generations.

*Maintaining a Robust Governance Structure*

At RAK Properties, we have a multi-tiered governance structure. The well-being and development of our workforce is reliant on responsible and dedicated leaders who endeavor to provide checks and balances at every step in our company operations. This approach relies on the establishment of not only good leadership but also proper auditing and procurement committees.

Abdul Aziz Abdullah Al Zaabi
Chairman

Mohammad Ahmad Ruqait Al Ali
Deputy Chairman

Sheikh Ahmed Omar Al Qassimi
Director

Mohamed Musabbeh Al Nuaimi
Director

Abdallah Rashed Alabdouli
Director

Mohamed Ghobash Al Marri
Director

Yasser Abdulla Al Ahmad
Director

We have a three-pronged committee structure to develop impactful operational strategies and ensure responsible oversight.

*Executive Management & Investment Committee*

- The Executive Management and Investment Committee supervises and assesses all investment opportunities, strategies, and resources. It is responsible for developing risk-efficient investment strategies that benefit the company. It also tracks and enhances investment performance. Moreover, this committee plays a vital role in assisting the executive leadership, including the CEO, in implementing, developing, and sustaining ethical corporate best practices.

*1.Nomination and Remuneration Committee*

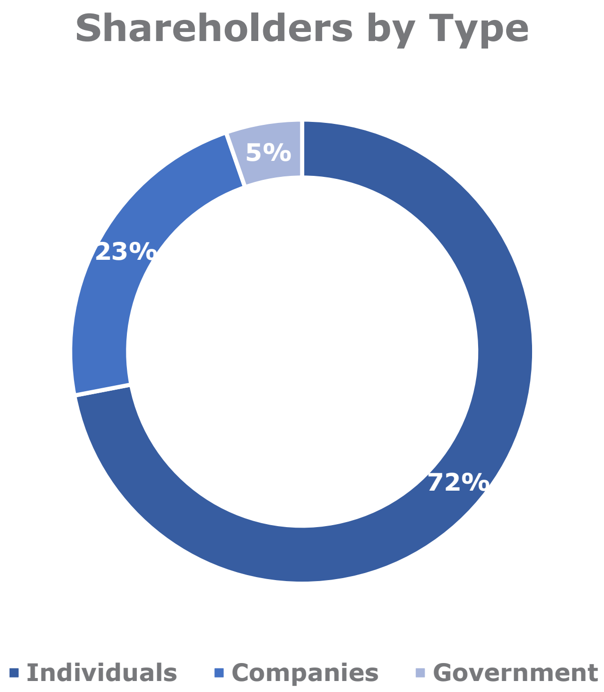
- This committee liaisons with senior management and other company professionals to develop a transparent and efficient institution-wide remuneration system. It employs the most effective human resource strategies to ensure the fair nomination of personnel across all company levels and records their progress.

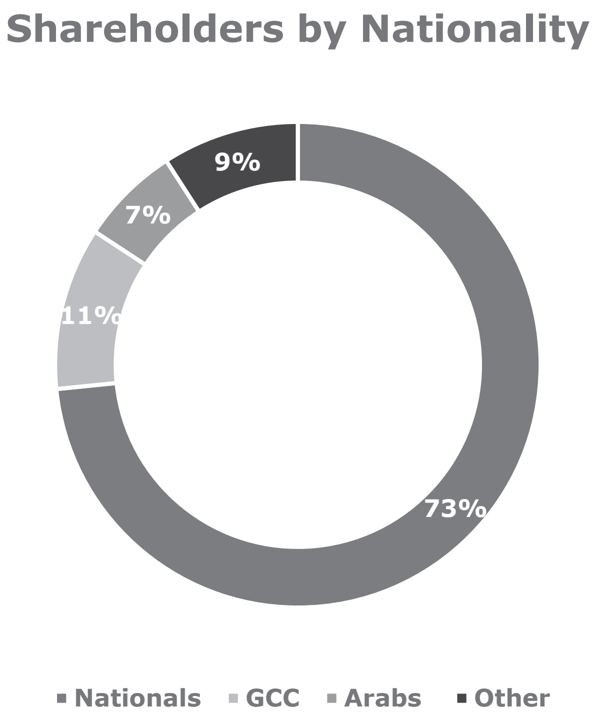
*1.Audit Committee*

- The audit committee executes meticulous attention to detail and ensures company-wide integrity. This committee is responsible for the company's internal audit, maintaining a record of the institution's financial records, and ensuring that all financial reporting is up to date and compliant with corporate laws and regulations. It advises progressive methods of maintaining internal controls and a culture of accountability. It also provides insight into the company's risk management strategies.

### Our Ownership Structure

To ensure representative shareholding, our ownership structure balances the interests of individuals, companies, and the government. Detailed below is a breakdown of company ownership by type an nationality:



## Ethical Business Practices

### Ensuring Proper Risk Management

When safeguarding the stakeholders' interests, it is important to have a comprehensive risk management strategy in place. Our company relies on oversight from the Auditing Committee of Ethics and Compliance and the Internal

Audit team. The committee ensures that each operation, initiative, and project is properly scaled, gauged, and assessed to eliminate investment and developmental risk factors.

The real estate industry has nuanced market and business risks and pitfalls. To protect our business interests, we prioritize assessing these factors pre-emptively and ideating the most effective methods to mitigate and minimize our exposure. This allows us to be a trusted organization with secure customer relationships and protect asset value. We require clear risk assessment at every turn in our strategic development, and our audit structure is integral in achieving that.

### Upholding Ethical Practices and Ensuring Compliance

We aim to develop a fundamentally sound and successful work structure. To achieve that, our Ethics and Compliance policies provide a roadmap for responsible business practices. This structure maintains the integrity of our operations and creates a culture of accountability. Furthermore, our compliance department ensures the implementation of ethical work practices across the organization, encourages adequate risk assessment, and creates awareness of international standards and ethical business practices in every department. This is made possible with proper communication channels between the RAK Properties management and its workforce, as well as an emphasis on cross-institutional accountability.

We encourage our employees to uphold an ethical code when developing projects and to report wrongdoings. To ensure the application of proper laws and regulations, there is a specific emphasis on educating employees to counter money laundering and terrorism policies within the organization. This policy protects the company's assets and intellectual property from harm or tampering. It upholds the proper regulation of corporate procedures within every project. Another important aspect of maintaining regulations is to strictly monitor customer transactions and financial resources of the company to ensure their accordance with the law.

### The Role of The Internal Control Committee

Safeguarding company and customer assets is of utmost importance when it comes to compliance with corporate laws. The internal control committee plays a vital role in ensuring harmony between all employees as well as arbitrating any conflicts that might arise. With the help and supervision of the Auditing Committee, this internal resource investigates and outlines potential risks and challenges that the organization can face.

In a company as divergent as RAK Properties, we require an integral group of people to analyze any shortcomings that might befall individual departments or the management. The internal controls engineer the company system and gauge the workforce's effectiveness to determine potential risks as they might arise or identify them pre-emptively to avoid conflict within the company. In collaboration with the Audit Committee, this particular management branch has to ensure that all projects are being materialized in compliance with corporate laws and regulations.

### Pioneering Responsible Supply Chain Management

There is a rising concern among multinational companies to work with suppliers that adhere to environmentally conscious practices and sustainable materials. As a corporation that directly deals with multiple suppliers on each development project, RAK Properties strives to ensure that the materials we source are part of a sustainable and responsible supply chain.

Our suppliers are instrumental in our process as a real estate development company. Meeting the highest standard of quality in materials is paramount. It's the reason we ensure that our suppliers meet the quality standards outlined within our procurement policies. We also vet suppliers through a thorough onboarding process, which includes:

- Registering suppliers that are validated by our internal audit teams
- Upon registration, the purchasing department conducts another validation process to ensure the legitimacy and quality of the materials
- During the onboarding process, suppliers are verified through their certification and warranty periods
- Once a project is handed to a particular supplier, the company undertakes a performance and supply evaluation based on the quality of materials and service delivered

| GRI 1: FOUNDATION 2021 | | | | |
|---|---|---|---|---|
| **Statement of Use** | RAK Properties has reported the information cited in this GRI content index for the period 1 January – 31 December 2022 in accordance with the GRI Standards | | | |
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| 3-3 | Management Approach | | | |
| 401-1 | New employee hires and employee turnover | S3: Employee Turnover | 5 | |
| 401-2 | Benefits provided to full-time employees that are not provided to part-time employees | | | |

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|---|---|---|---|---|
| **GRI 404: Training & Education 2016** | | | | |
| **GRI 404 Topic Specific** | | | | |
| 3-3 | Management Approach | | | |
| 404-1 | Average hours of training per year per employee | | | |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | | | |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | | | |
| **GRI 405: Diversity and Equal Opportunity 2016** | | | | |
| **GRI 405 Topic Specific** | | | | |
| 3-3 | Management Approach | | | |
| 405-1 | Diversity of governance bodies and employees | S4: Gender Diversity | 5 | |
| | | S6: Non-Discrimination | 5 | |
| | | S11: Nationalisation | 5 | |
| | | G1: Board Diversity | 9 | |
| 405-2 | Median Compensation | | | |
| **GRI 406: Non-Discrimination 2016** | | | | |
| **GRI 406 Topic Specific** | | | | |
| 3-3 | Management Approach | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | S6: Non-discrimination | 5, 9 | |
| **GRI 413: Local Community 2016** | | | | |
| **GRI 413 Topic Specific** | | | | |
| 3-3 | Management Approach | | | |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | S11: Nationalisation<br>S12: Community Investment | 5 | |
| **GRI 418: Customer Privacy** | | | | |
| **GRI 418 Topic Specific** | | | | |
| 3-3 | Management Approach | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | G6: Data Privacy | 5 | |