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

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2021

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

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For the Period Ended 31 March 2021

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF RAK PROPERTIES P.J.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of RAK Properties P.J.S.C. (the "Company") and its subsidiaries (the "Group") as at 31 March 2021, comprising of the interim consolidated statement of financial position as at 31 March 2021, and the related interim consolidated income statement, interim consolidated statement of comprehensive income, statement of changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration number: 1258

2 May 2021

Sharjah, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2021 (Unaudited)

		Three-month period ended	
	Notes	***31 March 2021 AED'000 (Unaudited)***	*31 March 2020 AED'000 (Unaudited)*
Revenue	3	**124,295**	36,144
Cost of revenue	3	**(75,970)**	(22,679)
GROSS PROFIT		**48,325**	13,465
Selling, general and administrative expenses	4	**(9,100)**	(10,426)
Other income		**26,052**	10,428
OPERATING PROFIT		**65,277**	13,467
Net change in fair value of investments at fair value through profit and loss		**(244)**	(1,534)
Finance income		**1,829**	3,019
Finance costs		**(2,726)**	(2,912)
PROFIT FOR THE PERIOD		**64,136**	12,040
Earnings per share for the period – basic and diluted (AED)		**0.032**	0.006

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2021 (Unaudited)

	Three-month period ended	
	31 March 2021 AED'000 (Unaudited)	*31 March 2020 AED'000 (Unaudited)*
PROFIT FOR THE PERIOD	**64,136**	12,040
Other comprehensive loss / income		
Items that will not be reclassified to profit or loss in subsequent periods:		
Net change in fair value of investments at fair value through other comprehensive income	**1,229**	(10,573)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**65,365**	1,467

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021 (Unaudited)

	Notes	***31 March 2021 AED'000 (Unaudited)***	*31 December 2020 AED'000 (Audited)*
ASSETS			
Non-current assets			
Property and equipment	5	**1,254,464**	1,172,600
Investment properties	6	**2,475,237**	2,475,237
Investment properties under development	7	**313,491**	311,642
Trading properties under development	8	**301,050**	300,932
Investments	9	**94,614**	93,384
Trade and other receivables	10	**207,004**	212,491
		4,645,860	4,566,286
Current assets			
Trading properties under development	8	**418,803**	421,109
Inventories		**676**	699
Investments	9	**12,587**	12,832
Trading properties	11	**45,041**	61,881
Trade and other receivables	10	**375,513**	278,630
Bank balances and cash	12	**466,164**	454,373
		1,318,784	1,229,524
TOTAL ASSETS		**5,964,644**	5,795,810
EQUITY AND LIABILITIES			
Equity			
Share capital		**2,000,000**	2,000,000
Statutory reserve		**1,000,000**	1,000,000
General reserve		**613,300**	613,300
Fair value reserve		**(229,195)**	(230,424)
Retained earnings		**592,063**	527,927
TOTAL EQUITY		**3,976,168**	3,910,803
Non-current liabilities			
Provision for employees' end-of-service benefits		**3,749**	3,970
Borrowings	13	**515,059**	461,826
Deferred government grants		**435,996**	461,028
Trade and other payables	14	**31,586**	31,009
		986,390	957,833
Current liabilities			
Borrowings	13	**660,521**	622,701
Trade and other payables	14	**341,565**	304,473
		1,002,086	927,174
TOTAL LIABILITIES		**1,988,476**	1,885,007
TOTAL EQUITY AND LIABILITIES		**5,964,644**	5,795,810

Acting Chief Executive Officer

Chairman

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2021 (Unaudited)

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Retained earnings AED'000*	*Total equity AED'000*
Balance at 1 January 2021 *(Audited)*	2,000,000	1,000,000	613,300	(230,424)	527,927	3,910,803
Profit for the period	-	-	-	-	64,136	64,136
Other comprehensive income for the period	-	-	-	1,229	-	1,229
Total comprehensive income for the period (unaudited)	-	-	-	1,229	64,136	65,365
Balance at 31 March 2021 (unaudited)	**2,000,000**	**1,000,000**	**613,300**	**(229,195)**	**592,063**	**3,976,168**
Balance at 1 January 2020 *(Audited) (restated)*	2,000,000	1,000,000	601,948	(216,103)	509,757	3,895,602
Profit for the period	-	-	-	-	12,040	12,040
Other comprehensive income for the period	-	-	-	(10,573)	-	(10,573)
Total comprehensive income for the period (unaudited)	-	-	-	(10,573)	12,040	1,467
Board of Directors' remuneration (note 15)	-	-	-	-	(4,000)	(4,000)
Dividends (note 16)	-	-	-	-	(80,000)	(80,000)
Balance at 31 March 2020 (unaudited)	2,000,000	1,000,000	601,948	(226,676)	437,797	3,813,069

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2021 (Unaudited)

	Notes	Three-month period ended	
		31 March 2021 AED'000 (Unaudited)	*31 March 2020 AED'000 (Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		**64,136**	12,040
Adjustments for:			
Depreciation	5	**2,496**	2,979
Provision for employees' end-of-service benefits		**120**	172
Finance costs		**2,726**	2,912
Finance income		**(1,829)**	(3,019)
Net change in fair value of investments at fair value through profit or loss		**244**	1,534
Loss on disposal of property and equipment		**(90)**	-
Government grants		**(25,033)**	(9,939)
Cash from operations before working capital changes		**42,770**	6,679
Trading properties		**16,840**	4,310
Trading properties under development		**2,188**	(20,317)
Trade and other receivables		**(89,499)**	(3,409)
Trade and other payables		**36,931**	134
Inventories		**23**	(61)
Advances from customers		**823**	27
Net cash flows from/ (used in) operations		**10,076**	(12,637)
Employees end of service indemnity paid		**(340)**	**-**
Net cash from /(used in) operating activities		**9,736**	(12,637)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**(82,876)**	(46,940)
Interest received		**834**	1,536
Proceeds from disposal of investments		**-**	459
Proceed from sale of property and equipment		**91**	**-**
Additions to investment properties under development		**(1,539)**	(6,422)
Net cash used in investing activities		**(83,490)**	(51,367)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		**(43)**	(80,024)
Borrowings availed		**71,901**	74,917
Interest paid		**(5,421)**	(4,146)
Board of directors' remuneration paid		**-**	(4,000)
Net cash from /(used in) financing activities		**66,437**	(13,253)
DECREASE IN CASH AND CASH EQUIVALENTS		**(7,317)**	(77,257)
Cash and cash equivalents at the beginning of the period		**(19,814)**	(6,723)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	**(27,131)**	(83,980)

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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

The interim condensed consolidated interim financial statements as at and for the three month period ended 31 March 2021 ("the current period") comprises the Company and its subsidiaries as reflected in note 2.1 below (collectively referred to as "the Group").

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

The interim condensed consolidated financial statements were authorised for issue on 2 May 2021 by the Board of Directors.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the three months ended 31 March 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting.*

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

Further, Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

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

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

The interim condensed consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a restatement, or a reclassification of items in financial statements.

Results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

Basis of consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Company and the entity controlled by the Company (its subsidiary) as at 31 March 2021. Control is achieved where all the following criteria are met:

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

2.1 BASIS OF PREPARATION (continued)

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

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

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

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

Details of the Company's subsidiary are as follows:

		Ownership %	
Subsidiary	***Country of incorporation***	***31 March 2021***	*31 December 2020*
RAK Properties International Limited	United Arab Emirates	**100%**	100%
Lagoon Marina Ship Management & Operation	United Arab Emirates	**100%**	100%
RAK Properties Tanzania Limited	Tanzania	**100%**	100%
Dolphin Marina Limited	Tanzania	**100%**	100%

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

(i) Revenue from contracts with customers

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

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

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

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

(i) Revenue from contracts with customers (continued)

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

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

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

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

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

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

(iv) Impact of Covid-19
Covid-19, was declared a world-wide pandemic by the World Health Organisation on 11 March 2020. The measures taken by various Governments across the world to slow the spread of Covid-19 have had a significant impact on the global economy and businesses. Whilst the existing and anticipated effects of the outbreak of Covid-19 on the economies and businesses are expected to evolve in an uncertain manner, we are cautiously optimistic that the pandemic would be brought under control with the numerous vaccines being deployed, and a semblance of 'new normality' expected to arise thereafter.

The Company has taken various measures, amongst others, in a proactive manner to ensure safety and wellbeing of its employees, strategic review of business plans, organisational changes, monitoring of cash flows and costs rationalisation measures.

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

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Key sources of estimation uncertainty (continued)

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

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

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

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

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

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

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

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

2.3 CHANGES IN THE ACCOUNTING POLICIES AND DISCLOSURES

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group intends to use the practical expedients in future periods if they become applicable.

3 REVENUE AND COST OF REVENUE

	Three-month period ended	
	31 March 2021 AED'000 (unaudited)	*31 March 2020 AED'000 (unaudited)*
Revenue		
Sale of properties	**110,552**	22,040
Rental income	**7,045**	7,453
Facility management fee	**6,209**	6,084
Forfeiture income	**404**	465
Others	**85**	102
	124,295	36,144
Cost of revenue		
Cost of sale of properties	**71,088**	17,215
Facility management expenses	**4,299**	4,559
Others	**583**	905
	75,970	22,679

The entire revenue earned by the Group is in the United Arab Emirates.

3 REVENUE AND COST OF REVENUE (continued)

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

	1 January 2021 to 31 March 2021 AED'000 (unaudited)	*1 January 2020 to 31 March 2020 AED'000 (unaudited)*
- Recognised at a point in time	**22,834**	5,489
- Recognised over a period of time	**101,461**	30,655
	124,295	36,144

4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended	
	31 March 2021 AED'000 (unaudited)	*31 March 2020 AED'000 (unaudited)*
Staff costs	**4,478**	4,587
Sales and marketing expenses	**933**	1,902
Depreciation	**2,144**	2,979
Other expenses	**1,545**	958
	9,100	10,426

5 PROPERTY AND EQUIPMENT

Additions, disposal and depreciation

During the three month period ended 31 March 2021, the Group has made additions amounting to AED 84,361 thousand (three month period ended 31 March 2020: AED 46,940 thousand).

The Group is currently constructing certain projects on Mina Al Arab Island. These projects are expected to be completed by 2022 and the carrying amount at 31 March 2021 was AED 944,454 thousand (31 December 2020: AED 860,491 thousand).

The amount of borrowing costs capitalised during the three months ended 31 March 2021 is AED 6,837 thousand (31 March 2020: AED 7,554 thousand) relating to construction of hotel properties. The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 3.82% (31 March 2020: 5.48%), which is the effective interest rate of the specific borrowing.

Depreciation of property and equipment for the three months period ended 31 March 2021 amounted to AED 2,496 thousand (31 March 2020: AED 2,979 thousand).

6 INVESTMENT PROPERTIES

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
In UAE	**2,475,237**	2,475,237

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

The Group has accounted for the portion of land granted as deferred government grant. This deferred government grant will be released on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities. During the current period, management has recognised AED 25 million (three month period ended 31 March 2020: AED 9.9 million) to the interim condensed consolidated income statement.

The management does not consider the fair value of investment properties for the period ended 31 March 2021 to be significantly different from the fair value as at 31 December 2020. The fair valuation of investment properties was conducted by an independent external valuer as at 31 December 2020. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2021, unless there are indicators which suggest a significant change in the fair value.

7 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Balance at beginning of the period / year	**311,642**	312,573
Cost incurred during the period / year	**1,849**	7,178
Transferred to property and equipment	**-**	(8,109)
	313,491	311,642

Investment properties under development are located in United Arab Emirates. Refer note 18 on fair valuation of investment properties under development.

The management does not consider the fair value of investment properties under development for the period ended 31 March 2021 to be significantly different from the fair value as at 31 December 2020. The fair valuation of investment properties under development was conducted by an independent external valuer as at 31 December 2020. Management intends to appoint independent external valuer to determine the fair value as at 31 December 2021, unless there are indicators which suggest a significant change in the fair value.

8 TRADING PROPERTIES UNDER DEVELOPMENT

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Inside UAE	**703,496**	705,684
Outside UAE	**16,357**	16,357
	719,853	722,041
Less: Classified as current assets	**(418,803)**	(421,109)
Classified as non-current assets	**301,050**	300,932

Trading properties under development include lands held for future development and use amounting to AED 341,677 thousand (Current: AED 121,878 thousand and Non-current: AED 219,799 thousand) (31 December 2020: AED 351,789 thousand (Current: AED 131,990 thousand and Non-current: AED 219,799 thousand)). Cost of revenue of AED 51,103 thousand (three months period ended 31 March 2020: AED 12,867 thousand) has been recognised in the interim condensed consolidated income statement.

9 INVESTMENTS

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Non-current		
Investments at fair value through other comprehensive income	**94,614**	93,384
Current		
Investments at fair value through profit or loss	**12,587**	12,832

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

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Non-current		
Investments at fair value through other comprehensive income		
Investments within UAE		
Unquoted private equity investments	**5,689**	5,689
Investments outside UAE		
Unquoted private equity investments	**23,989**	23,989
Unquoted funds	**43,790**	43,790
Quoted securities	**21,146**	19,916
	88,925	87,695
	94,614	93,384

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Current		
Investments at fair value through profit or loss		
Investments within UAE		
Quoted securities within UAE	**3,418**	3,663
Investments outside UAE		
Unquoted securities outside UAE	**9,169**	9,169
	12,587	12,832

The details of valuation techniques and assumptions applied for the measurement of fair value of financial instruments are mentioned in note 18 of the interim condensed consolidated financial statement.

10 TRADE AND OTHER RECEIVABLES

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Trade receivables	**305,241**	286,260
Advances to suppliers and contractors	**106,035**	115,351
Contract assets	**145,034**	66,315
VAT receivable	**6,128**	4,242
Other receivables	**29,870**	28,744
	592,308	500,912
Less: Provision for expected credit losses	**(9,791)**	(9,791)
	582,517	491,121
Less: Current portion	**(375,513)**	(278,630)
Non-current portion	**207,004**	212,491

Advances to suppliers and contractors includes amounts due from a related party of AED 25,858 thousand (31 December 2020: AED 35,142 thousand) (note 15).

Movements in provision for expected credit loss:

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Balance at beginning of the period / year	**9,791**	9,221
Provision for impairment allowance for the period / year	**-**	570
Balance at the end of the period / year	**9,791**	9,791

11 TRADING PROPERTIES

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
At 1 January	**61,881**	42,380
Transferred to investment properties (note 6)	**-**	(33,900)
Transferred from investment properties (note 6)	**-**	90,338
Transferred from trading properties under development (note 8)	**-**	30,679
Cost of properties sold	**(16,840)**	(67,616)
	45,041	61,881

All trading properties are located in United Arab Emirates.

The management does not consider the fair value of trading properties for the period ended 31 March 2021 to be significantly different from the fair value as at 31 December 2020. Fair valuation of trading properties was conducted by an independent external valuer as at 31 December 2020.

12 BANK BALANCES AND CASH

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Cash in hand	**11**	20
Bank balances:		
- Current accounts	**21,368**	10,900
- Call accounts	**1,558**	185
- Current accounts – unclaimed dividends	**43,227**	43,268
- Term deposits	**400,000**	400,000
	466,164	454,373

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

The effective average interest rate on deposits is 1.25% to 2% per annum (2020: 2.25% to 3% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank overdraft (note 13).

Bank balances and cash are maintained in United Arab Emirates.

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

	31 March 2021 AED'000 (Unaudited)	*31 March 2020 AED'000 (unaudited)*
Bank balances and cash	**466,164**	448,716
Less: Current accounts – unclaimed dividends	**(43,227)**	(46,999)
Less: Bank overdraft (note 13)	**(450,068)**	(485,697)
	(27,131)	(83,980)

13 BORROWINGS

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Term loans	**725,512**	653,608
Bank overdrafts	**450,068**	430,919
Total borrowings	**1,175,580**	1,084,527
Less: Current portion	**(660,521)**	(622,701)
Non-current portion	**515,059**	461,826

13 BORROWINGS (continued)

The Group has obtained an overdraft facilities of AED 540,000 thousand (2020: 540,000 thousand) from commercial banks. Interest on overdrafts, which is secured by term deposit is 0.5% over such term deposit rates. Further, for unsecured bank overdrafts, interest is computed at a fixed rate + 3 months EIBOR. The balance outstanding as at 31 March 2021 amounted to AED 450,068 thousand (31 December 2020: AED 430,919 thousand).

The overdraft facilities of the Group are secured by:

- Lien over term deposit for AED 400,000 thousand held with the bank in the name of the borrower;
- To route funds 1.5 times of the net clean limit utilised under the overdraft. (31 December 2020: the net clean limit utilized was AED 33,853 thousand).

The details of the long term bank loans, including terms of repayment, interest rate are set out in the consolidated financial statements of the Group for the year ended 31 December 2020.

The bank borrowing agreements (“Agreements”) contain certain restrictive covenants including maintaining Debt to EBITDA ratio. The Group complied with the annual bank covenants as at 31 December 2020. Accordingly, the borrowings continue to be presented as non-current, based upon the terms of repayment.

Term loans are secured against the following:

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

14 TRADE AND OTHER PAYABLES

	31 March 2021 AED’000 (Unaudited)	*31 December 2020 AED’000 (Audited)*
Trade payables	**76,970**	64,822
Project accruals	**72,295**	80,855
Contract liabilities	**35,847**	35,023
Unclaimed dividends	**43,227**	43,268
Other payables and accruals	**144,812**	111,514
	373,151	335,482
Less: Current portion	**(341,565)**	(304,473)
Non-current portion	**31,586**	31,009

Trade payables includes amounts due to a related party of AED 43,293 thousand (31 December 2020: AED 34,258 thousand) (note 15).

15 RELATED PARTY DISCLOSURES

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24.

a) The following are the significant related party transactions included in the interim condensed consolidated income statement :

	Three-month period ended	
	31 March 2021 AED'000 (Unaudited)	*31 March 2020 AED'000 (Unaudited)*
Key management personnel of the Group (Director's interests):		
Sub-contracting and purchase of services	**90,140**	48,497
Compensation of key management personnel:		
Salaries and benefits	**1,290**	1,012
End of service benefits	**74**	68
Directors remuneration*	**-**	4,000
	1,364	5,080

* Subsequent to the period end, at the Annual General Meeting held on 3 April 2021, the shareholders have approved a Board of Directors' remuneration of AED 3,000 thousand for the year ended 31 December 2020. Accordingly, no provision for such approved Board of Directors' remuneration has been made in the interim condensed consolidated financial statements.

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

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Due to a related party - trade payables (note 14)	**43,293**	34,258
Due from a related party – advance to suppliers and contractors (note 10)	**25,858**	35,142

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

16 DIVIDENDS

The Board of Directors did not propose any dividend for the year ended 31 December 2020 (2019: AED 80,000 (AED 4 fils per share)).

17 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Commitments relating to the property development are as follows:

	31 March 2021 AED'000 (Unaudited)	*31 December 2020 AED'000 (Audited)*
Approved and contracted	**380,905**	540,777

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

The above includes commitments to a related party of AED 138,556 thousand (31 December 2020: AED 217,630 thousand).

18 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2020.

Fair value measurements recognised in the interim condensed consolidated statement of financial position

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AED'000	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
31 March 2021 (Unaudited)				
Fair value through other comprehensive income				
Unquoted equities and funds	-	**-**	**67,779**	**67,779**
Quoted equity securities	**21,146**	-	-	**21,146**
Financial assets carried at FVTPL	**3,418**	**-**	**9,169**	**12,587**
Investment properties	**-**	**-**	**2,475,237**	**2,475,237**
Investment properties under development	**-**	**-**	**313,491**	**313,491**
	24,564	**-**	**2,865,676**	**2,890,240**

	Level 1 AED '000	*Level 2 AED '000*	*Level 3 AED '000*	*Total AED '000*
31 December 2020				
Fair value through other comprehensive income				
Unquoted equities and funds	-	-	73,468	73,468
Quoted equity securities	19,916	-	-	19,916
Financial assets carried at FVTPL	3,663	-	9,169	12,832
Investment properties	-	-	2,475,237	2,475,237
Investment properties under development	-	-	311,642	311,642
	23,579	-	2,869,516	2,893,095

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.

19 SEGMENT REPORTING

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

	Property sales AED'000	***Property leasing AED'000***	***Facility management income AED'000***	***Total AED'000***
Three month period ended 31 March 2021 (Unaudited)				
Revenue	**110,956**	**7,045**	**6,294**	**124,295**
Gross profit	**39,868**	**6,541**	**1,916**	**48,325**
As at 31 March 2021 (Unaudited)				
Total assets	**1,198,935**	**2,788,728**	**1,976,981**	**5,964,644**
Total liabilities	**389,770**	**295,807**	**1,302,899**	**1,988,476**
Capital expenditure	**-**	**1,849**	**84,260**	**86,109**

	Property sales AED'000	*Property leasing AED'000*	*Others AED'000*	*Total AED'000*
Three month period ended 31 March 2020 (Unaudited)				
Revenue	22,505	7,453	6,186	36,144
Gross profit	4,876	7,057	1,532	13,465
As at 31 December 2020 (Audited)				
Total assets	1,133,395	2,786,879	1,875,536	5,795,810
Total liabilities	367,920	295,981	1,221,106	1,885,007
Capital expenditure	-	160,061	430,043	590,104

Management has determined the operating segments based on segments identified for the purpose of allocating resources and assessing performance. The Group is organised into two major operating segments: property sales and property leasing.