H.H. Sheikh Saud Bin Saqr Al Qasimi

Member of the Supreme Council
and Ruler of Ras Al Khaimah

H.H. Sheikh Khalifa Bin Zayed Al Nahyan

President of the UAE

H.H. Sheikh Mohammed Bin Saud Al Qasimi

Crown Prince of Ras Al Khaimah

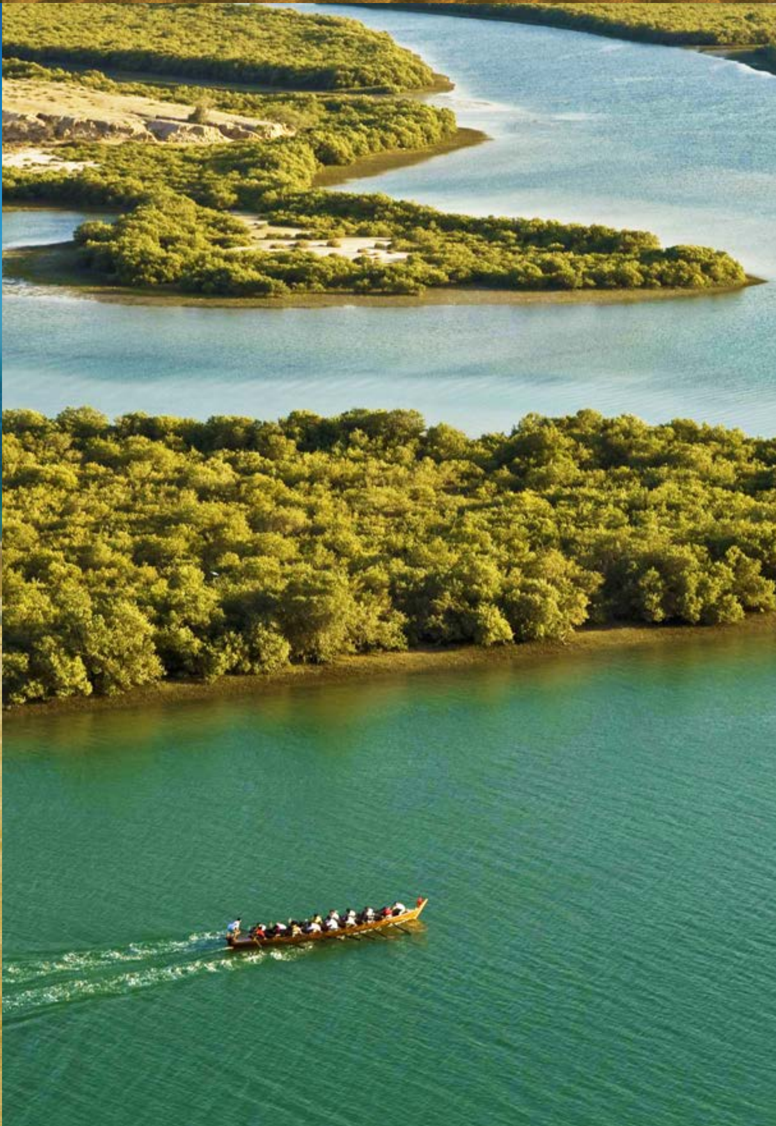
Ras Al Khaimah

A Naturally Forward Thinking Emirate

The UAE's northernmost emirate, Ras Al Khaimah has a diverse, breath-taking landscape, ranging from beautiful beaches and lush green oases to coastal wetland wildlife reserves and red sandy deserts, all nestled beneath the rugged Hajar Mountains. These natural wonders are complemented by a wide variety of fascinating historical, cultural and natural attractions. Ras Al Khaimah is also attractive to the business and trade community. It is boosted by its tax-free status, full business ownership rights for foreigners within free zones, and modern infrastructure.

A mere 45 minutes from Dubai, with world-class healthcare facilities and schools, it is no wonder that Ras Al Khaimah is also one of the fastest growing tourist and residential destinations in the Gulf region. This combination of attractions has led to Ras Al Khaimah being recognized by the Financial Times as one of the world's top 10 future cities.



RAK PROPERTIES
PRIME OFFICE SPACE AVAILABLE
For Sale and Lease

رأس الخيمة العقارية
RAK PROPERTIES

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 Khaimah's Permiere 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.

The Bermudan Lifestyle

Welcome to Bermuda, a lifestyle encompassing a blissful, tranquil realm surrounded by serene tropical waters, beautiful landscaping and recreational facilities that create the perfect domain to relax. Mina Al Arab Bermuda offers a choice of beautiful residential villas and townhouses ranging between 2-6 bedrooms nestled within protected coastal wetlands and pristine natural beaches. It is an ideal place for a family to live.

MINA AL ARAB
LAGOON WALK

Located in a dynamic neighbourhood of shops, cafés and cultural gardens, these apartments at Mina Al Arab face directly onto the Lagoon. The unique tiered design allows residents to have excellent views of the water & attarctive prominade with cafe culture.

GATEWAY
RESIDENCES

Gateway Residences is a contemporary residential tower that has been designed with a free-flowing façade, which reflects the surrounding elements of nature. Located on the serene Raha island at the heart of the Mina Al Arab community, Gateway sits directly on the still waters of the lagoon, and is a short walk to the open ocean on one side and the vibrant Lagoon Walk on the other.

Offering a unique waterfront lifestyle, Gateway Residences perfectly blends nature, luxury and modern practicality to encourage relaxed living and provide the perfect home in which to enjoy time with family and friends.

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.

NORTHBAY
RESIDENCES

The North Bay tower located on prestigious Hayat Island is a sublime and vibrant design which gives amazing living spaces with views directly over the open ocean. It combines the best of luxury living with the ultimate in both recreation and relaxation.

MARBELLA

VILLAS

Marbella Villas offers spacious luxury 2, 3, 4 & 5 bedroom villas and townhouses with extraordinary services and comforts. This sublime and vibrant residential community, set within an idyllic natural environment, combines the best of luxury living with the ultimate in both recreation and relaxation. It doesn't get any better than this.

ANANTARA
MINA AL ARAB
RAS AL KHAIMAH • RESORT
منتجع أنانتارا رأس الخيمة ميناء العرب

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.

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.

JULPHARTOWERS

The Premiere Address in Ras Al Khaimah

The Julphar Twin Towers, the tallest towers in the Emirate, consists of one office tower and one residential tower complemented by extensive facilities. Perfect for an enjoyable lifestyle and convenient business, Julphar Towers provides an ultramodern lifestyle of luxury, convenience and much more.

Nature lovers can enjoy strolls along the mangroves, the creek and the beaches just minutes away from the towers. Golf aficionados can tee off from the nearby Tower Links Golf Club. The Towers have established a new standard of living and working in Ras Al Khaimah.

JULPHAR

AVENUE أفنيو

Julphar Avenue is the vibrant shopping area of Julphar Towers, and acts as the social hub of the Julphar Towers development.

MESSAGE FROM THE CEO

Dear Shareholders,

In my maiden letter to you, I would like to extend my gratitude to His Highness Sheikh Saud bin Saqr Al Qasimi, Supreme Council Member and Ruler of Ras Al Khaimah who through his vision has brought about rapid growth in the emirate and created several opportunities for development. Also, my deepest regards to H.H. Sheikh Mohammed bin Saud bin Saqr Al Qasimi, Crown Prince of Ras al-Khaiman, his patronage having helped create a safe and prosperous home for people from across the globe. Without their support and guidance, it would have been impossible to see the growth of the organization to where it stands today.

I'm grateful for the faith instilled in me to lead RAK Properties- an organization known for undertaking impressive projects and promising an exciting future. My team and I are working hard to make sure that we convert our land bank into profitable dividend paying assets to benefit the shareholders while building great real estate assets that serve the community in the long run.

The opportunities that RAK Properties has, in both the short and the long-term, are built on its track record of delivering iconic and profitable projects. In the short to medium term, the main focus of RAK Properties is to continue developing Mina Al Arab. In the longer term it can use its track record of building not only Mina Al Arab, but also Julphar Towers, to attract investors and land owners to work with RAK Properties in new projects. As a resident of Mina Al Arab, I can attest to the property being a great place to reside in. In Mina Al Arab, one has access to the picturesque ocean, can enjoy a stroll past the mangroves, walk through the lush gardens, and make it to the Lagoon town center without using a car. Access to these amenities helps residents incorporate a healthy and family-friendly lifestyle. Today, Mina Al Arab has high occupancy rates and is known to be a preferred destination for people to live; either in a primary or a secondary home.

In our next development phase, we see an opportunity to expand Mina Al Arab, and have completed work on about 30% of the land. Next in the pipeline, is the construction of Gateway on Raha Island which once completed will be home to 144 apartment homes. Early next year, the Intercontinental Mina Al Arab Resort will open its doors to the public, followed by the Antara Mina Al Arab Resort. These two hospitality offerings will round out the offering in Mina Al Arab and the two iconic global brands will add visibility to its location.

Additionally, the government of RAK is increasingly investing in the hotel industry, and the construction of these state-of-the-art hotels will help meet pent up demand for more beach front hotels in the emirate. Two projects that are currently underway on Hayat Island are Bay Residences, a beautiful project of four residential towers, and Marbella which will be touted as our newest villa community.

As a master developer, RAK Properties understands that the whole is more than the sum of its parts, and that investment in the public realm is key. That is why we have invested to plant 7,000 trees across the public realm, developed a vibrant Lagoon Walk retail area and are keen on developing Angel Bay, a world-class leisure and entertainment hub on Hayat Island for tourists and residents of Ras Al Khaimah. Creating these destinations will attract footfall Mina Al Arab and adds value for those looking to invest in villas and apartments nearby. Importantly, making Mina Al Arab a destination further increases the value of RAK Properties land bank.

One aspect of being a publicly listed developer is that RAK Properties is committed to building a steady income stream to meet shareholder requirements. During the next few years we aim to expand and stabilize our hotels, which will put us in a position to pay dividends. It takes more time to see the return from these recurring revenue investments compared with off-plan sales, but it creates great long-term value as these assets will pay dividends annually. Additionally, RAK Properties holds some of its built stock for its leasing program. All of this together means that RAK Properties in the future will have a larger base of stable recurring revenue assets and will be less dependent on off-plan sales which tend to be more cyclical.

This vision wouldn't have been possible without the hard work and diligence of the team at RAK Properties. We take pride in having a team of thoroughly focused professionals who wish to see the organization provide the highest quality in order to meet the end user and investor requirements. At RAK Properties, we aim to continue investing in developing the skills of our workforce that will allow us to deliver successful projects in the future.

Samuel Sidiqi
Chief Executive Officer
RAK Properties

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CHAIRMAN'S LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The Board of Directors of RAK Properties PJSC has pleasure in submitting the consolidated financial statements for the year ending 31 st December 2018.

Principal Activities:

RAK Properties continues to invest in the development and management of real estate assets including sales, leasing, facility management, hotels and associated real estate services.

Operational Achievements:

2018 witnessed an unusual drop in sales and leasing transactions across the Real Estate Industry. This has considerably impacted the sales performance of RAK Properties as well. However, RAK Properties continue to prudently invest in the development of residential and hospitality properties in order to meet the future demand. The Gateway Residence, Ras Al Khaimah is a residential building under construction, the Julphar Residence, Reem Island, Abu Dhabi is a residential tower., both projects will be handed over in 2019.During the year RAK Properties launched an impressive villa project comprises of 205 villas and town houses. The construction of this project is expected to begin in the first half of 2019. These projects will improve the sales revenue in the ensuing financials years. Besides, RAK Properties continues the development of Anantara Mina Al Arab Ras Al Khaimah Eco resort hotel, this property will feature the emirate's first Maldivian inspired overwater villas complex overlooking the stunning eco-reserves and Intercontinental luxury hotel, Ras Al Khaimah, Mina Al Arab. These two hotels are the main inclusion in the hospitality portfolio which will be a major source for hospitality revenue in the future.

Financial Result

2018 Revenue Achievement (Net Profit)

AED 151 Million
(2017: AED 192 Million)

2018 Comprehensive Income

AED 33 Million
(2017: AED 177 Million)

Company Total Asset (31st December 2018)

AED 5.34 Billion
(AED 5.16 Billion :2017)

Outlook 2019

RAK Properties is optimistic of the future thus continue to invest in the developments of appropriate asset classes and in the human resources in order to efficiently handle the rising business challenges. The construction of the Bay Residence, Mina Al Arab and the Marbella villas, Mina Al Arab will commence in 2019 as RAK Properties already commenced the sales in these two projects. Besides, there are number of projects listed in the development strategy, nevertheless RAK Properties diligently monitor the real estate demand and choose ideal projects for development.

THE DIRECTORS

Mohammad Hassan Omran
Chairman

Abdul Aziz Abdullah al Zaabi
Deputy Chairman

Mohammad Sultan Al Qadi
Director

Sheikh Tariq Ahmad Humaid Al Qassimi
Director

Mohammad Ahmad Ruqait
Director

Samih Onsi Sawirs
Director

Nawwaf Ghubash Ahmed Al Maari
Director

Sheikh Ahmed Omar Al Qassimi
Director

Dr. Mohammed Abdulla Mohammed Al Mehrezi
Director

M/s. Deloitte & Touche (ME) has completed their term as the auditor for RAK Properties., another auditor will be appointed in the Annual General Meeting 2019.

On behalf of the Board,

Mohammad Hassan Omran
Chairman

INDEPENDENT AUDITOR'S REPORT

The Shareholders of
RAK Properties P.J.S.C.
Ras Al Khaimah - United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **RAK Properties P.J.S.C. (the "Company") and its Subsidiaries (together the "Group"), Ras Al Khaimah, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 2018, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other requirements that are relevant to our audit of the Group's 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 judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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.

Key Audit Matters (Continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matters
Valuation of unquoted fair value through other comprehensive income (FVOCI) investments The carrying value of unquoted FVOCI investments incorporates certain assumptions and judgements, the valuation of these unquoted FVOCI investments were carried out by third party valuer. We consider the valuation of these unquoted FVOCI investments a key audit matter, given the significant assumptions and judgements involved. Note 9 to the consolidated financial statements include disclosure and note 4.2.4 includes key source of estimation uncertainty.	Management has involved third party valuer to perform valuation of these unquoted FVOCI investments. We made use of our internal valuation specialist to evaluate on a sample basis the third party valuer's judgments, in particular: • The models used for valuation; and • That the valuation was done in accordance with the applicable standards and suitable for use in determining the carrying value for the purpose of the consolidated financial statements.
Valuation of Investment properties, Investment Properties under development, trading properties under development and trading properties Group's Investment Properties and Investment Properties under Development are initially measured at cost. Subsequent to initial recognition, investment properties and investment properties under development are measured at fair value. Group's trading properties and trading properties under development are measured at the lower of cost and net realisable value. The Group uses external valuers to assess Net Realisable value of these properties. The valuations were carried out by third party valuers (the "Valuer"). They were engaged by the Directors, in accordance with the RICS Valuation – Professional Standards ("RICS"). The valuation of investment properties and trading properties, requires significant judgement and estimates by management and external valuers. The existence of significant estimation and judgement, coupled with change in valuation assumption used could result in material misstatement. The valuations of investment and trading properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin. We consider the valuation of these properties a key audit matter, given the significant judgements and estimates involved.	We confirmed that the approaches used in the external valuation were consistent with RICS. We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group. We sample tested data provided to the Valuer by the Group. This data included cost incurred to date, cost to complete, historical sales prices, outstanding receivables to be collected and information relating to unsold inventories. Assumptions and estimates used by the Valuer We involved our internal real estate valuation specialists to review the valuations reports for selected properties and assessed whether the valuation approach and methods used are in accordance with the established standards for valuation of the properties and suitable for use in determining the fair value for the purpose of assessment of impairment loss. The Group has involved external valuer in order to value these properties for the purpose of determining the fair value and net realisable value. We made use of our internal valuation specialist to test on a sample basis the reasonableness of: • methodologies used and the appropriateness of the key assumptions, and • relevance of the input data used for deriving fair values.

Key Audit Matters (Continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matters
Valuation of Investment properties, Investment Properties under development, trading properties under development and trading properties (continued) Notes 7, 8 and 11 to the consolidated financial statements include disclosure and note 4.2.1 and 4.2.2 includes key source of estimation uncertainty.	Where we identified estimates and assumptions that are outside the typical ranges used, we discussed these with the Valuer to understand rationale. Based on the outcome of our evaluation we assessed the adequacy of disclosures in the consolidated financial statements.

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the annual report of the Group. We obtained Directors' report prior to the date of this auditor's report and, the remaining information of the annual report expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement there in, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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.

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

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 and Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such 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; and

- 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;

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RAK PROPERTIES P.J.S.C.

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

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

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

From the matters communicated with the Group's Board of Directors and Audit Committee, 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

As required by the UAE Federal Law No. (2) of 2015, we report that:

i) We have obtained all the information we considered necessary for the purposes of our audit;

ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) The Group has maintained proper books of account;

iv) The financial information included in the Directors' report is consistent with the Group's books of account;

v) As disclosed in note 9 to the consolidated financial statements, the Group has purchased or invested in shares during the financial year ended 31 December 2018;

vi) Note 25 to the consolidated financial statements discloses material related party transactions and balances, 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 financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018.

Deloitte & Touche (M.E.)

Signed by:
Obada Alkowatly
Registration No. 1056
14 February 2019
Sharjah, United Arab Emirates

RAK PROPERTIES P.J.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Notes	2018	2017
		AED '000	AED '000
ASSETS			
Non-current assets			
Property and equipment	5	**699,714**	577,771
Investment properties	6	**2,581,902**	2,023,147
Investment properties under development	7	**290,096**	279,720
Trading properties under development	8	**543,435**	610,092
Investments	9	**125,984**	245,961
Advances	10	**91,537**	18,228
Trade and other receivables	12	**162,036**	221,518
Total non-current assets		**4,494,704**	3,976,437
Current assets			
Trading properties under development	8	**153,397**	13,924
Inventories		**609**	771
Investments	9	**15,221**	33,243
Advances	10	**47,119**	75,487
Trading properties	11	**100,565**	499,969
Trade and other receivables	12	**128,687**	207,307
Bank balances and cash	13 & 27	**400,774**	352,621
Total current assets		**846,372**	1,183,322
Total assets		**5,341,076**	5,159,759

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

RAK PROPERTIES P.J.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

Consolidated Financial Statements at 31 December 2018 (continued)

	Notes	2018 AED '000	2017 AED '000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**2,000,000**	2,000,000
Statutory reserve	15	**1,000,000**	1,000,000
General reserve	16	**591,878**	576,826
Cumulative changes in fair value reserve		**(448,441)**	(589)
Retained earnings		**670,020**	347,130
Total equity		**3,813,457**	3,923,367
Non-current liabilities			
Provision for employees' end of service indemnity	17	**3,172**	4,788
Deferred government grants	6	**604,993**	614,115
Advances from customers	18	**22,957**	19,284
Borrowings	19	**91,859**	14,568
Total non-current liabilities		**722,981**	652,755
Current liabilities			
Advances from customers	18	**4,168**	10,164
Borrowings	19	**553,169**	338,012
Trade and other payables	20	**247,301**	235,461
Total current liabilities		**804,638**	583,637
Total liabilities		**1,527,619**	1,236,392
Total equity and liabilities		**5,341,076**	5,159,759

Mohammad Sultan Al Qadi
Managing Director

Mohammad Hasan Omran
Chairman

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

RAK PROPERTIES P.J.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 AED'000	2017 AED '000
Revenue	21	**101,391**	312,930
Cost of revenue	22	**(52,817)**	(158,138)
Gross profit		**48,574**	154,792
Other operating income – net		**15,589**	15,557
General and administrative expenses	23	**(56,318)**	(62,195)
Gain on changes in fair value of investment properties, release of deferred income, write off of investment properties	6	**168,392**	104,901
Write down of trading properties under development to net realisable value	8	**(3,150)**	(8,635)
Operating profit		**173,087**	204,420
(Loss)/Gain on sale of investments		**(3,170)**	4,670
Provision for impairment on investments	9	**-**	(10,208)
Net increase/(Decrease) in fair value of investments at fair value through profit or loss		**1,591**	(6,090)
Impairment for advances, trade and other receivables	12	**(30,466)**	(7,345)
Dividend income		**3,626**	1,081
Finance income	24	**9,233**	7,667
Finance expenses	24	**(3,377)**	(2,378)
Profit for the year		**150,524**	**191,817**
Basic earnings per share for the year (AED)	26	**0.08**	0.10

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

RAK PROPERTIES P.J.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	AED ’000	AED ’000
Profit for the year	**150,524**	191,817
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
(Decrease)/increase in fair value of available-for-sale Investments	**-**	(14,324)
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value gain of FVTOCI	**(117,520)**	-
Other comprehensive loss for the year	**(117,520)**	(14,324)
Total comprehensive income for the year	**33,004**	177,493

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

RAK PROPERTIES P.J.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Statutory reserve	General reserve	Cumulative changes in fair value of available-for -sale investments	Retained earnings	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Balance at 31 December 2016	2,000,000	1,000,000	557,644	13,735	279,495	3,850,874
Profit for the year	-	-	-	-	191,817	191,817
Other comprehensive loss for the year	-	-	-	(14,324)	-	(14,324)
Total comprehensive income for the year	-	-	-	(14,324)	191,817	177,493
Transfer to general reserve (Note 16)	-	-	19,182	-	(19,182)	-
Board of Directors' remuneration	-	-	-	-	(5,000)	(5,000)
Dividend paid (Note 32)	-	-	-	-	(100,000)	(100,000)
Balance at 31 December 2017	2,000,000	1,000,000	576,826	(589)	347,130	3,923,367
Adjustment on adoption of IFRS 9 (Note 2.1)	-	-	-	(330,332)	312,681	(17,651)
Restated balance at 1 January 2018	2,000,000	1,000,000	576,826	(330,921)	659,811	3,905,716
Profit for the year	-	-	-	-	150,524	150,524
Other comprehensive loss for the year	-	-	-	(117,520)	-	(117,520)
Total comprehensive income for the year	-	-	-	(117,520)	150,524	33,004
Transfer to general reserve (Note 16)	-	-	15,052	-	(15,052)	-
Board of Directors' remuneration	-	-	-	-	(5,263)	(5,263)
Dividend paid (Note 32)	-	-	-	-	(120,000)	(120,000)
Balance at 31 December 2018	**2,000,000**	**1,000,000**	**591,878**	**(448,441)**	**670,020**	**3,813,457**

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

RAK PROPERTIES P.J.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 AED '000	2017 AED '000
Cash flows from operating activities		
Profit for the year	**150,524**	191,817
Adjustments for:		
Depreciation of property and equipment	**14,336**	12,299
Finance (income)/expense –(net)	**(5,856)**	(5,289)
Dividend income	**(3,626)**	(1,081)
Net change in fair value of investments at fair value through profit or loss	**(1,591)**	6,090
Impairment of advances, trade and other receivables	**30,466**	7,345
Loss/(gain) on sale of investments	**3,170**	(4,670)
Write off/ provision for impairment on investments and advances – (net)	**-**	10,208
Gain on changes in fair value of investment properties	**(168,392)**	(62,260)
Write down of trading properties under development to net realisable value	**3,150**	8,635
Government grants	**-**	(42,641)
Loss on disposal of property and equipment	**-**	436
Provision for employees' end of service indemnity	**(1,553)**	940
Operating cash flows before changes in operating assets and liabilities	**20,628**	121,829
Decrease in trading properties – (net)	**6,205**	122,241
Increase in trading properties under development - (net)	**(65,666)**	(92,515)
Decrease/(increase) in trade and other receivables	**91,846**	(99,695)
(Increase)/decrease in advances	**(51,227)**	1,985
(Decrease)/increase in trade and other payables	**17,968**	(72,148)
Decrease/(increase) in inventories	**162**	(771)
(Decrease)/increase in advances from customers	**(2,323)**	7,126
Cash generated from/(used in) operating activities	**17,593**	(11,948)
Employees' end of service indemnity paid	**(63)**	(297)
Net cash generated from/(used in) operating activities	**17,530**	(12,245)

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

RAK PROPERTIES P.J.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 AED '000	2017 AED '000
Cash flows from investing activities		
Purchase of property and equipment	**(129,540)**	(1,325)
Interest income received	**8,063**	7,047
Dividend income received	**3,626**	1,081
Additions to investments	**(323)**	-
Proceeds from disposal of property and equipment	**-**	7
Proceeds from disposal of investments	**18,533**	3,202
Increase in term deposit	**-**	(35,000)
Additions to investment properties under development	**(17,115)**	(60,646)
Movement in fixed deposit maturity more than 3 month	**(50,000)**	-
Net cash used in investing activities	**(166,756)**	**(85,634)**
Cash flows from financing activities		
Dividend paid	**(123,064)**	(102,382)
Increase/(decrease) in term loan	**196,559**	24,568
Increase in bank overdraft and bill discounting	**95,889**	187,200
Board of Directors' remuneration	**(5,263)**	(5,000)
Interest paid	**(13,678)**	(8,852)
Net cash generated from financing activities	**150,443**	95,534
Net increase/(decrease) in cash and cash equivalents	**1,217**	(2,345)
Cash and cash equivalents at the beginning of the year	**2,249**	4,594
Cash and cash equivalents at the end of the year (Note 27)	**3,466**	2,249

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

1. General information

RAK Properties P.J.S.C. (the "Company") is a public joint stock company established under Emiree Decree No. 5 issued by the Ruler of the Emirate of Ras Al Khaimah on 16 February 2005 and commenced its operations on 2 June 2005. The Company is listed in the Abu Dhabi Securities Market. The registered head office of the Company is P.O. Box 31113, Ras Al Khaimah, United Arab Emirates.

The consolidated financial statements of the Company comprise the financial statements of the Company and its subsidiaries, (together referred to as the "Group").

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

As required by Abu Dhabi Securities Exchange, the Group's management has reviewed books of accounts and concluded that there is no exposure to the Abraaj Group.

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New IFRS applied with material effect on the consolidated financial statements

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the consolidated financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

There were no changes to the classification and measurement of financial liabilities. The accounting policies of financial instruments as per IAS 39 are disclosed in note 3.20 to the consolidated financial statements.

2.2 Presentation of allowance for ECL in the consolidated financial statements

Loss allowances for ECL are presented in the consolidated financial statements as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- for debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in revaluation reserve and recognised in other comprehensive income;

Notes to the Consolidated Financial Statements for the year ended 31 December 2018 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.1 New IFRS applied with material effect on the consolidated financial statements (continued)

Presentation of allowance for ECL in the consolidated financial statements (continued)

The following table reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Adjustments	New carrying amount under IFRS 9
Financial assets			**AED '000**	**AED '000**	**AED '000**
Investments securities- Equity (a)	Available-for-sale	FVOCI – equity	245,271	-	245,271
Investment securities – debt	Held to maturity investment	Amortised cost	690	-	690
Investment securities – mutual funds	Held for trading	FVTPL	33,243	-	33,243
Trade and other receivables and Advances (b)	Loans and receivables	Amortised cost	455,514	(17,651)	437,863
Bank balances and cash (b)	Loans and receivables	Amortised cost	352,621	-	352,621

a) The equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. On transition to IFRS 9, an allowance for impairment of AED 330.33 million was recognized as an increase in opening retained earnings and a decrease in cumulative changes in fair value reserve as at 1 January 2018.

b) Trade and other receivables and Advances and bank balances and cash that were classified as loans and receivables under IAS 39 are now classified as amortised cost. An increase of AED 17.65 million (non-cash transaction) in the allowance for impairment over these receivables was recognized at 1 January 2018 on adoption of IFRS 9.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current period and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.

- Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions

- Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

- Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

- IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.

2.3 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.3 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019
Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IAS 19 Employees Benefits Plan Amendment, Curtailment or Settlement. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).	1 January 2019
IFRS 17 Insurance contracts The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	1 January 2021

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.3 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

IFRS 15 Revenue from contracts with customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has elected to early adopt IFRS 15 with effect from 1 January 2016.

3. Summary of significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the UAE Federal Law No. (2) of 2015.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties, investment properties under development and certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The amounts in the consolidated financial statements are rounded to nearest thousand ("AED '000") except when otherwise indicated.

The principal accounting policies are set out below:

3.3 Basis of consolidation

The consolidated financial statements of RAK Properties P.J.S.C. and Subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries).

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Control is achieved when the Company:

• has power over the investee;
• is exposed, or has rights, to variable returns from its involvement with the investee; and
• has the ability to use its power to affect its returns.

The Company reassesses 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 listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

• the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
• potential voting rights held by the Company, other vote holders or other parties;
• rights arising from other contractual arrangements; and
• any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.4 Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of the subsidiary	Country of incorporation	Proportion of ownership interest
RAK Properties International Limited	United Arab Emirates	100%
RAK Properties Tanzania Limited	Tanzania	100%
Dolphin Marina Limited	Tanzania	100%

RAK Properties Tanzania Limited, Tanzania is a subsidiary of RAK Properties International Limited and Dolphin Marina Limited, Tanzania is a subsidiary of RAK Properties Tanzania Limited, Tanzania.

The principal activities of the subsidiaries are real estate investment and property management activities.

3.5 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.5 Business combination (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.6 Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1 **Identify the contract with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 **Identify the performance obligations in the contract:** A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 **Determine the transaction price:** Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 **Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 **Recognise revenue as and when the entity satisfies a performance obligation.**

The Group recognises revenue over time if any one of the following criteria is met:

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

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.6 Revenue recognition (continued)

The Group allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably.

3.7 Government grants

A government grant is recognised when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Grants are measured at fair value, and are recognised in the consolidated statement of income over the period in which the conditions attached to the grant are fulfilled. Such grants are generally received with the implicit condition they are to be utilised for development, and accordingly, the fulfilment of the condition is estimated based on the progress of development activities. The deferred Government Grant will be credited to consolidated statement of income on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities.

3.8 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statement.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.9 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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

3.10 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Percentage
Buildings (Note 5)	4 – 5
Other assets	10 - 25

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3.11 Investment properties

Investment properties are properties, held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

3.12 Investment properties under development

Investment properties under development that are being constructed or developed for future use as investments properties are measured initially at cost including all direct costs attributable to the design and construction of the properties including related staff costs. Subsequent to initial recognition, investment properties under development is measured at fair value. Gains and losses arising from changes in the fair value of investment properties under development are included in the profit or loss in the period in which they arise. Upon completion of construction or development, such properties are transferred to investment properties.

Fair values of investment properties and investment properties under development are determined by the open market values based on valuations performed by independent surveyors and consultants.

3. Summary of significant accounting policies (continued)

3.13 Trading properties under development

Properties in the process of construction or development for the purpose of sale on completion are classified as trading properties under development. They are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of trading properties under development 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.

3.14 Trading properties

Properties either acquired or developed for the purpose of sale in ordinary course of business are classified as trading properties. These properties are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost of trading properties is determined on the basis of specific identification of their individual costs.

3.15 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.16 Provisions

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).

3. Summary of significant accounting policies (continued)

3.16 Provisions (continued)

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 recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.17 Employee benefits

3.17.1 Defined contribution plan

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. The contributions are charged to profit or loss.

3.17.2 Leave passage

An accrual is made for the estimated liability for employees’ entitlement to leave passage as a result of services rendered by eligible employees up to the end of the year.

3.17.3 Provision for employees’ end of service indemnity

Provision is also made for the full amount of end of service indemnity 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.

3.18 Financial instruments (Applied under IAS – 39)

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.19 Significant accounting policies introduced on adoption of IFRS 9

3.19.1 Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI);

(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

a. the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

b. the Group may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

3.19.2 Equity instruments at FVOCI

Investments in equity instruments/funds at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments, but reclassified to retained earnings. The Group has designated all investments in equity instruments that are not held for trading as FVOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to consolidated statement of income.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.19 Significant accounting policies introduced on adoption of IFRS 9 (continued)

3.19.3 Debt instruments at amortised cost or at FVOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

3.19.4 Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to consolidated statement of income but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

3.19.5 Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch").

3. Summary of significant accounting policies (continued)

3.19 Significant accounting policies introduced on adoption of IFRS 9 (continued)

3.19.6 Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss model (ECLs). The Group recognises loss allowances for expected credit losses on the following financial instruments that are not measured at FVTPL:

• Cash and bank balances;
• Loans and advances
• Trade receivables and
• Other receivables;

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

• 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
• full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group has elected to measure loss allowances for bank balances and cash, advances, trade and other receivables at an amount equal to life time ECLs.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward-looking information.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to loans and advances are presented separately in the consolidated statement of profit or loss and OCI.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

3. Summary of significant accounting policies (continued)

3.19 Significant accounting policies introduced on adoption of IFRS 9 (continued)

3.19.7 Measurement of ECL

The Group employs statistical models for ECL calculations.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

3.19.8 Credit-impaired financial assets

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

3.20 Accounting policies for financial instruments as per IAS 39

The accounting policies as per IAS 39 applicable before 1 January 2018 to the comparative figures of financial instruments is disclosed below.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group has classified the following financial assets as 'loans and receivables': bank balance and cash and trade and other receivables.

3.20.1 Bank balances and cash

Bank balances and cash include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

3.20.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.20 Accounting policies for financial instruments as per IAS 39 (continued)

3.20.2 Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

• it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of income.

3.20.3 Available-for-sale financial assets (AFS financial assets)

The Group has investments that are not traded in an active market and are classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.20.4 Loans and receivables

Loans and receivables are measured at amortised costs using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.20.5 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. Where the Group decides to sell other than an insignificant amount of held-to-maturity assets, the entire category is considered to be tainted and reclassified as available-for-sale.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.20 Accounting policies for financial instruments as per IAS 39 (continued)

3.20.6 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to statement of income in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

3. Summary of significant accounting policies (continued)

3.20 Accounting policies for financial instruments as per IAS 39 (continued)

3.20.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

3.21 Financial liabilities and equity instruments issued by the Group

3.21.1 Classification as debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.22 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.23 Financial liabilities

The Group has classified the following financial liabilities as 'other financial liabilities': trade and other payables and borrowings and are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.23.1 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

3.24 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.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management, 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:

4.1 Critical judgments in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 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.

4.1.2 Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over the time or at a point in time in order to determine the appropriate method for recognising revenue. The Group has assessed that based on the sale and purchase agreements entered to provide real estate assets to customer and the provisions of relevant laws and regulations, the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date. In these circumstances the Group recognises revenue over the time.

4.1.3 Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. Management has assessed and is of the opinion that no significant variable considerations are involved in contract with customers. The prices in each contract are fixed and generally no discounts are allowed or penalties are charged to the customers.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.1 Critical judgments in applying accounting policies (continued)

4.1.4 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI (Solely Payments of Principal and Interest) and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4.1.5 Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. A significant increase in credit risk is presumed if a customer is more than 90 days past due in making a contractual payment. 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.

4.1.6 Probability of default (PD)

PD constitutes a key input in measuring ECL. PD 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.

4.1.7 Loss Given Default (LGD)

LGD 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.

4.1.8 Classification of investments (Applied under IAS 39)

Management decides on acquisition of a financial asset whether it should be classified as FVTPL - held for trading, held to maturity investments, loans and receivables or AFS financial assets.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.1 Critical judgments in applying accounting policies (continued)

4.1.9 Impairment of financial assets (Applied under IAS 39)

The Group determines whether AFS financial assets are impaired when there has been a decline in their fair value below cost. In making this judgement and to record whether an impairment occurred, the Group evaluates among other factors, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For the year ended 31 December 2017, the management has considered an amount of AED 10.20 million as impairment loss on AFS financial assets for the year, based on the analysis of impairment test performed on available-for-sale financial assets.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the 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.

4.2.1 Fair value of investment properties and investment properties under development

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determined the amount within a range of reasonable fair value estimates. In making its judgment, the Group considered recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The determination of the fair value of revenue-generating properties requires the use of estimates such as future cash flows from assets (such as leasing, tenants' profiles, future revenue streams, capital values of fixtures and fittings, and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment properties under development. These estimates are based on local market conditions existing at the end of the reporting period.

4.2.2 Impairment of trading properties and trading properties under development

The Group's management reviews the trading 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 statement of income, 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 costs to complete, an impairment provision is recognized for the identified loss event or condition to reduce the cost of trading properties and trading properties under development to its net realizable value.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.3 Useful lives of property and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property and equipment on an annual basis.

4.2.4 Valuation of unquoted equity investments

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

• Recent arms length market transactions;
• Current fair value of another instrument that is substantially the same;
• 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.

4.2.5 Impairment of trade and other receivables (including advances) (Applied under IAS 39)

An estimate of the collectible amount of trade and other receivables (including advances) is made when collection of the full amount is no longer probable. This determination of whether the receivables are impaired entails Management's evaluation of the specific credit and liquidity position of the customers and parties to whom advances is given, and their historical recovery rates, including discussion with legal department and review of current economic environment. Management is satisfied that no additional impairment is required on its trade and other receivables (including advances) in excess of amount already provided.

4.2.6 Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include:

a) for development contracts, the cost of development and related infrastructure;
b) for construction contracts, the certified works as evaluated by project consultant.

5. Property and equipment

	Land	Buildings	Furniture and fixtures	Computer and office equipment	Motor vehicles	Capital work in progress	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Cost							
31 December 2016	241,571	214,378	4,351	7,169	1,019	36,122	504,610
Additions during the year	-	803	64	434	24	-	1,325
Disposals during the year	-	-	-	(647)	(50)	-	(697)
Transfers (Note 7 and 8)	39,163	37,461	-	-	-	65,898	142,522
31 December 2017	280,734	252,642	4,415	6,956	993	102,020	647,760
Additions during the year	-	12,584	131	1,253	81	115,491	129,540
Transfers (Note 7)	-	6,739	-	-	-	-	6,739
31 December 2018	**280,734**	**271,965**	**4,546**	**8,209**	**1,074**	**217,511**	**784,039**
Accumulated depreciation							
31 December 2016	-	48,800	3,968	4,352	824	-	57,944
Charge for the year	-	10,951	309	951	88	-	12,299
Eliminated on disposals	-	-	-	(204)	(50)	-	(254)
31 December 2017	-	59,751	4,277	5,099	862	-	69,989
Charge for the year	-	13,342	73	838	83	-	14,336
31 December 2018	**-**	**73,093**	**4,350**	**5,937**	**945**	**-**	**84,325**
Carrying amount 31 December 2018	**280,734**	**198,872**	**196**	**2,272**	**129**	**217,511**	**699,714**
31 December 2017	280,734	192,891	138	1,857	131	102,020	577,771

5. Property and equipment (continued)

At 31 December 2018 the cost of fully depreciated property and equipment that was still in use amounted to AED 9.21 million (2017: AED 7.53 million).

Property and equipment include borrowing cost capitalised during the year amounting to AED 6.78 million (2017: AED 1 million).

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

Capital work-in-progress represents expenditure incurred on the construction of hotels which are intended to be used according to the Group's relevant business model. The construction work on these hotels are ongoing at the reporting date and management expects to complete construction in final quarter of 2019.

The management has reassessed the use of certain investment properties under development and trading properties under development. In the view of the Board of Directors, these properties with a cost of AED 6.74 million (2017: AED 142.52 million) will now be used to generate revenues for the Group. Accordingly, the cost of such properties has been transferred to property and equipment.

6. Investment properties

	2018 **AED '000**	2017 AED '000
At 1 January	**2,023,147**	1,960,887
Change in fair value - (net)	**168,392**	62,260
Change in fair value – Government Grant	**(9,122)**	-
Transfer from advances	**6,286**	-
Transferred from trading properties (Note 11)	**393,199**	-
At 31 December	**2,581,902**	**2,023,147**

Investment properties are located in United Arab Emirates.

During 2011, the Group has accounted for remaining portion of the land granted as deferred Government Grant at an aggregate value of AED 571 million with a corresponding increase to investment properties and trading properties under development. Furthermore, during 2016, an amount of AED 85.8 million was accounted as fair value increase (non-cash transaction) pertaining to the above land granted by Government and deferred Government grant increased to AED 657 million. In 2017, the Group management upon fulfilment of the conditions stipulated by Government, has released deferred Government Grant amounting to AED 42.64 million to the consolidated statement of income. This
deferred Government Grant will be released to the consolidated statement of income on the fulfilment of the conditions stipulated by the Government.

During the year, the Group has reversed the Government Grant to the extent of AED 9.12 million on account of decrease in fair valuation of the land.

Investment properties have been valued as at 31 December 2018 by an independent valuer. The Board of Directors have reviewed the valuer's report and accordingly, considered increase in fair value of AED 168 million (include increase in fair value of AED 43 million recognized on properties transferred from trading properties) (2017: AED 62 million) which was recognised in the consolidated statement of income.

The management has reassessed the use of certain trading properties. In the view of the Board of Directors, these properties with a cost of AED 393.20 million will now be used to generate rental revenue for the Group. Accordingly the value of such properties have been transferred to investment properties.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

7. Investment properties under development

	2018 AED '000	2017 AED '000
At 1 January	**279,720**	295,299
Cost incurred	**17,115**	60,646
Transferred to trading property under development (Note 8)	**-**	(10,327)
Transferred to property and equipment (Note 5)	**(6,739)**	(65,898)
At 31 December	**290,096**	**279,720**

The investment properties under development have been valued as at 31 December 2018 by an independent valuer. The Board of Directors have reviewed the above report of the independent valuer and have concurred that no change in fair value needs to be considered in the consolidated financial statements of the Group for the year ended 31 December 2018.

Investment properties under development are located in United Arab Emirates.

8. Trading properties under development

	2018 AED '000	2017 AED '000
At 1 January	**624,016**	822,983
Cost incurred	**90,497**	101,807
Transferred from investment property under development	**-**	10,327
Transferred from advances	**-**	45,000
Write down to net realisable value	**(3,150)**	**(8,635)**
Cost of properties sold	**(14,531)**	**(2,819)**
Transferred to trading properties (Note 11)	**-**	**(268,023)**
Transferred to property and equipment (Note 5)	**-**	**(76,624)**
At 31 December	**696,832**	**624,016**
Inside U.A.E.	**680,306**	**607,490**
Outside U.A.E.	**16,526**	**16,526**
	696,832	**624,016**
Classified as:		
Non-current assets	**543,435**	**610,092**
Current assets	**153,397**	**13,924**
	696,832	**624,016**

During the year, based on an independent valuation of net realisable value of trading properties under development, Board of Directors have decided a write down to net realisable value amounting to AED 3.15 million (2017: AED 8.64 million).

Trading properties under development include borrowing cost capitalised during the year amounting to AED 3.52 million (2017: AED 5.30 million).

9. Investments

	2018 AED '000	2017 AED '000
Non-current investments		
Fair value through other comprehensive income (FVOCI) /available-for-sale		
Private equity investments	**70,644**	408,553
Real estate fund	**55,340**	167,050
	125,984	575,603
Financial investment at amortized cost/ held to maturity investment	**-**	8,270
	125,984	583,873
Less: provision for impairment	**-**	(337,912)
	125,984	245,961
Current investments		
At fair value through profit or loss (FVTPL)	**15,221**	33,243

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

	2018 AED '000	2017 AED '000
Non-current investments		
Fair value through other comprehensive income (FVOCI) /available-for-sale		
Investments within United Arab Emirates		
Unquoted private equity investments	**15,560**	240,723
Unquoted funds	**-**	15,256
(A)	**15,560**	255,979
Investments outside United Arab Emirates		
Unquoted private equity investments	**26,082**	119,106
Unquoted funds	**55,340**	151,794
Quoted securities	**29,002**	48,724
(B)	**110,424**	319,624
Balance for non-current investments (A+B)	**125,984**	575,603
Financial investment at amortized cost/ held to maturity investment		
Unquoted debt instrument placed outside United Arab Emirates	**-**	**8,270**
	125,984	**583,873**
Less: Provision for impairment	**-**	**(337,912)**
Total non-current investments	**125,984**	**245,961**

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

9. Investments (continued)

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

	2018 AED '000	2017 AED '000
Current investments – FVTPL		
Quoted equity securities inside U.A.E.	**4,250**	21,974
Unquoted investments outside U.A.E.	**10,971**	11,269
	15,221	33,243

The unquoted "fair value through other comprehensive income (FVOCI) / available-for-sale" investments have been valued as at 31 December by an independent valuer. The Board of Directors have reviewed the above report of the independent valuer and have considered an amount of AED 117.52 million as decrease in fair value for the year ended 31 December 2018 (2017: decrease in fair value AED 14.32 million and impairment for AFS investment AED 10.21 million).

10. Advances

	2018 AED '000	2017 AED '000
Advances	**138,656**	93,715
Classified as:		
Non-current assets	**91,537**	18,228
Current assets	**47,119**	75,487
	138,656	93,715

Non-current portion of the advances include AED 73.31 million paid for construction of hotel properties. (Note 5).

11. Trading properties

	2018 AED '000	2017 AED '000
At 1 January	**499,969**	354,187
Transferred to investment property (Note 6)	**(393,199)**	-
Transferred from trading property under development (Note 8)	**-**	268,023
Cost of properties sold	**(6,205)**	(122,241)
At 31 December	**100,565**	499,969

All trading properties are located in United Arab Emirates.

11. Trading properties (continued)

During the year, based on an independent valuation of net realisable value of trading properties, Board of Directors has concurred that no write down to realisable value is identified in the valuation report and accordingly no charge to profit or loss for the year is required (2017: Nil).

12. Trade and other receivables

	2018	2017
	AED '000	AED '000
Trade receivables	**249,990**	360,393
Due from customers on contracts for sale of properties	**9,605**	325
Other receivables	**83,215**	72,077
	342,810	432,795
Less: Allowance for doubtful receivables	**(52,087)**	(3,970)
	290,723	428,825
Receivables due after one year	**(162,036)**	(221,518)
Receivables due within one year	**128,687**	207,307

Trade receivables as at 31 December 2018, include notes receivable – post dated cheques amounting to AED 236 million (2017 : AED 266 million)

Contracts with customers for sale of properties

	2018	2017
	AED '000	AED '000
Amount due from customers included in trade receivables	**9,605**	325
Total contract cost incurred plus recognised profit less recognised losses to date	**19,461**	3,160
Less: total progress billing to date	**(9,856)**	(2,835)
	9,605	325

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

12. Trade and other receivables (contiued)

Movements in allowance for doubtful debts:

	2018	2017
	AED '000	AED '000
Balance at beginning of the year	**3,970**	-
Initial application of IFRS 9 (Note 2.1)	**17,651**	-
Balance as at 1 January	**21,621**	-
Provision for impairment allowance for the year	**30,466**	7,345
Write-off for the year	**-**	(3,375)
Balance at the end of the year	**52,087**	3,970

13. Bank balances and cash

	2018	2017
	AED '000	AED '000
Cash in hand	**7**	9
Bank balances:		
Current accounts	**2,040**	910
Current accounts – unclaimed dividends (Note 20)	**47,308**	50,372
Call accounts	**1,419**	1,330
Term deposits	**350,000**	300,000
	400,774	352,621

Bank balances and cash include term deposits amounting to AED 350 million (2017: AED 300 million) with a maturity period of more than three months, which accordingly are not included in cash and cash equivalents. The effective average interest rate on deposits was 2.1% to 3% per annum (2017: 2% to 2.75% per annum). Term deposit amounting to AED 350 million is under lien against bank borrowings.

At 31 December 2018, outstanding balance in the bank overdraft is AED 418 million (2017: AED 328 million) (Note 19).

Current accounts – unclaimed dividends should be utilised only for the payment of dividend and should not be used for any other purposes. Bank balances and cash are maintained in United Arab Emirates.

14. Share capital

The authorised issued and fully paid up share capital of the Company is AED 2 billion (2017: AED 2 billion) divided into 2 billion shares with par value of AED 1 each.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

15. Statutory reserve

In accordance with UAE Federal Law No. (2) of 2015, and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve till the reserve reaches 50% of Company's paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. No transfer was made to statutory reserve for the year ended 31 December 2018 as the balance in the reserve has reached 50% of Company's paid up share capital.

16. General reserve

In accordance with the Company's Articles of Association, 10% of the net annual profit 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.

17. Provision for employees' end of service indemnity

Movement in the net liabilities were as follows:

	2018 **AED '000**	2017 AED '000
Balance at the beginning of the year	**4,788**	4,145
Charge for the year	**714**	940
Reversal of charge for the year	**(2,267)**	-
Amount paid during the year	**(63)**	(297)
Balance at the end of the year	**3,172**	4,788

18. Advances from customers

Advances from customers represent the amounts received in accordance with the payment plans from sale of trading properties under development and trading properties. Advances from customers are bifurcated between current and non-current based on the expected completion of trading properties to which it relates.

During the year, the Group had forfeited advances / receivables amounting to AED 8.94 million (2017: AED 3.26 million) for not fulfilling the payment obligation by certain customers after obtaining necessary legal advice.

19. Borrowings

	2018 **AED '000**	2017 AED '000
Term loan	**221,127**	24,568
Bank overdraft	**417,615**	328,012
Bill discounting	**6,286**	-
	645,028	352,580

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

19. Borrowings (continued)

The borrowings are repayable as follows:

	2018 AED '000	2017 AED '000
On demand or within one year	**553,169**	338,012
In the second and subsequent years	**91,859**	14,568
	645,028	352,580
Less: Amount due for settlement within 12 months from the reporting date (shown under current liabilities)	**(553,169)**	(338,012)
Amount due for settlement after 12 months from the reporting date	**91,859**	14,568

	2018 AED '000	2017 AED '000
Balance at the beginning of the year	**352,580**	140,812
Movement during the year in borrowings (includes term loans obtained amounting to AED 196,559 thousands)	**292,448**	211,768
Balance at the end of the year	**645,028**	**352,580**

The Group obtained overdraft facility of AED 450 million from commercial banks. Interest on overdraft will be computed at 0.50% over the fixed rate up to the fixed deposit amount, and overdraft balance exceeding the deposit balance will be charged at 3 months EIBOR + 3.20% per annum.

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 350 million held with the bank in the name of the borrower.
- Undertaking to deposit all sale proceeds from the sale of properties in Mina Al Arab project in the overdraft account; and
- Undertaking to cover any excess over the sanctioned facilities from the Company's own sources.

The Group has obtained the following loans:

- Term loan of AED 358 million from a commercial bank to finance the construction of the hotel project. This facility is repayable in 28 equal quarterly instalments commencing 3 years from the date of first drawdown and carries an interest rate of 3.40% over 3 months Emirates Interbank Offer Rate (EIBOR). The balance outstanding at 31 December 2018 amounted to AED 49.25 million. (2017: AED 3.47 million).

- Term loan of AED 116 million from a commercial bank for the construction of a residential property. This facility is repayable in 6 half yearly instalments commencing 2 years from the date of first drawdown and carries an interest rate of 2.70% over 1 months EIBOR. The balance outstanding at 31 December 2018 amounted to AED 35.96 million (2017: AED 11.10 million).

19. Borrowings (continued)

Term loan facility of AED 250 million from a commercial bank to finance the construction of the hotel project. The facility is repayable in 30 equal quarterly instalments commencing 2.5 years from the date of first drawdown and carries an interest rate of 3.40% over 3 months Emirates Interbank Offer Rate (EIBOR). The drawdown balance outstanding at 31 December 2018 amounted to AED 52.72 million (2017: AED Nil).

• Medium term loan of AED 50 million from a commercial bank to meet the enhanced working capital requirements of the Company. This facility is repayable within 180 days from each tranche and carries an interest rate of 3.20% over 3 months EIBOR. During the year, the loan was repaid in full. Balance outstanding as on 31 December 2017 was AED 10 million.

• Term loan from a commercial bank to finance the construction of the specified projects. The total facility is AED 300 million or 80% loan to value against Securities whichever is lower. This facility is repayable in 32 equal quarterly instalments commencing 90 days after the end of last drawdown or 9 th quarter from the first drawdown date, whichever is earlier and ending on the final maturity date. The facility carries an interest rate of 2.75% per annum over 3 months Emirates Interbank Offer Rate (EIBOR). The drawdown balance outstanding at 30 December 2018 amounted to AED 69.90 million (2017: AED Nil).

• Term loan of AED 13.30 million from a commercial bank. This facility is repayable in 8 quarterly instalments commencing 1 month from the date of drawdown and carries an interest rate of 3.20% over 3 months EIBOR. The balance outstanding at 31 December 2018 amounted to AED 13.30 million.

The bank borrowing agreements (“Agreements”) contain certain restrictive covenants including maintaining Debt to EBITDA ratio. The Group has not complied with certain covenants mentioned in the two agreement as of 31 December 2018. Although, subsequent to 31 December 2018 the Group has obtained a waiver letter from these two lenders for non-compliance with these covenants, however the non-current portion of borrowings amounting to AED 122.62 million has been classified as current liabilities.

Loans are secured against the following:

- Legal mortgage of land and buildings of specific 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 the net of the hotel management fees which should be acknowledged by the Hotel operator.
- 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.

20. Trade and other payables

	2018	2017
	AED ’000	AED ’000
Trade payables	**22,025**	31,136
Project accruals	**85,141**	58,290
Unclaimed dividends (Note 13)	**47,308**	50,372
Other payables and accruals	**92,827**	95,663
	247,301	235,461

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

21. Revenue

	2018	2017
	AED '000	AED '000
Sale of properties	**37,031**	254,220
Forfeiture income (Note 18)	**8,943**	3,259
Rental and facility management income	**55,417**	54,574
Others	**-**	877
	101,391	312,930

22. Cost of revenue

	2018	2017
	AED '000	AED '000
Cost of sale of properties	**20,736**	125,060
Rental and facility management expenses	**32,081**	33,078
	52,817	158,138

23. General and administrative expenses

	2018	2017
	AED '000	AED '000
Staff costs	**22,790**	21,442
Advertisement and marketing expenses	**11,427**	9,460
Depreciation	**14,336**	12,299
Other expenses	**7,765**	18,994
	56,318	62,195

24. Finance income and expenses

	2018	2017
	AED '000	AED '000
Finance income	**9,233**	7,667
Finance expenses	**(3,377)**	(2,378)

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

25. Related party transactions

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. The Group has a related party relationship with Government of Ras Al Khaimah, its shareholders, directors and executive officers, (including business entities over which they can exercise significant influence or which can exercise significant influence over the Group).

Balance due from/(due to) related parties are as follows:

	2018	2017
	AED '000	AED '000
Term deposits	**250,000**	250,000
Term loan	**(13,300)**	(10,000)
Bank overdraft	**(311,392)**	(287,054)

During the year, the Group entered into the following transactions with related parties:

	2018	2017
	AED '000	AED '000
Key management remuneration:		
Salaries and benefits	**8,957**	8,637
End of service benefits	**322**	268
	9,279	8,905
Directors remuneration	**5,263**	5,000
Transactions:		
Interest income on term deposits	**7,094**	6,460
Interest expenses on borrowings	**10,910**	7,793
Purchase of services	**57,545**	-

Other related party transactions

The Government of Ras Al Khaimah has granted certain plots of land with an aggregate area of 67.1 million square feet on the condition that these lands undergo development.

26. Basic earnings per share

	2018	2017
Profit for the year (in AED '000)	**150,524**	191,817
Number of shares (in '000)	**2,000,000**	2,000,000
Basic earnings per share (in AED)	**0.08**	0.10

Basic earnings per share is calculated by dividing the profit for the year by the number of shares outstanding at the end of the reporting period.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

27. Cash and cash equivalents

	2018 AED '000	2017 AED '000
Bank balances and cash	**400,774**	352,621
Current accounts – unclaimed dividends	**(47,308)**	(50,372)
Term deposits with maturity more than three months - under lien	**(350,000)**	(300,000)
	3,466	2,249

28. Commitments and contingent liabilities

Commitments relating to the property development are as follows:

	2018 AED '000	2017 AED '000
Approved and contracted	**804,800**	1,040,011

29. Capital Risk Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of borrowings, bank balances and cash and equity, comprising share capital, reserves and retained earnings. The Group reviews the capital structure on a regular basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

30. Financial instruments

30.1 Significant accounting policies

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.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

30. Financial instruments (continued)

30.2 Categories of financial instruments

Assets	Loans and receivables	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Non-financial instruments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2018					
Property and equipment	-	-	-	699,714	699,714
Investment properties	-	-	-	2,581,902	2,581,902
Investment properties under development	-	-	-	290,096	290,096
Trading properties under development	-	-	-	696,832	696,832
Investments	-	15,221	125,984	-	141,205
Advances	-	-	-	138,656	138,656
Trading properties	-	-	-	100,565	100,565
Inventories	-	-	-	609	609
Trade and other receivables	286,027	-	-	4,696	290,723
Bank balances and cash	400,774	-	-	-	400,774
Total assets	**686,801**	**15,221**	**125,984**	**4,513,070**	**5,341,076**

Equity and liabilities	Financial instruments	Non-financial instruments	Total
	AED'000	AED'000	AED'000
31 December 2018			
Equity	-	3,813,457	3,813,457
Provision for employees' end of service indemnity	-	3,172	3,172
Borrowings	645,028	-	645,028
Deferred government grants	-	604,993	604,993
Advance received from customers	-	27,125	27,125
Trade and other payables	247,301	-	247,301
Total equity and liabilities	**892,329**	**4,448,747**	**5,341,076**

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

30. Financial instruments (continued)

30.2 Categories of financial instruments (continued)

Assets	Loans and receivables AED'000	Held-to-maturity AED'000	Held for trading AED'000	Available-for-sale AED'000	Non-financial instruments AED'000	Total AED'000
31 December 2017						
Property and equipment	-	-	-	-	577,771	577,771
Investment properties	-	-	-	-	2,023,147	2,023,147
Investment properties under development	-	-	-	-	279,720	279,720
Trading properties under development	-	-	-	-	624,016	624,016
Investments	-	690	33,243	245,271	-	279,204
Advances	27,143	-	-	-	66,572	93,715
Trading properties	-	-	-	-	499,969	499,969
Inventories	-	-	-	-	771	771
Trade and other receivables	428,371	-	-	-	454	428,825
Bank balances and cash	352,621	-	-	-	-	352,621
Total assets	**808,135**	**690**	**33,243**	**245,271**	**4,072,420**	**5,159,759**

Equity and liabilities	Financial instruments AED'000	Non-financial instruments AED'000	Total AED'000
31 December 2017			
Equity	-	3,923,367	3,923,367
Provision for employees' end of service indemnity	-	4,788	4,788
Borrowings	352,580	-	352,580
Deferred government grants	-	614,115	614,115
Advance received from customers	-	29,448	29,448
Trade and other payables	235,461	-	235,461
Total equity and liabilities	**588,041**	**4,571,718**	**5,159,759**

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

30.3 Interest rate risk management

The Group's exposure to interest rate risk relates to its bank deposits and borrowings.

At 31 December 2018, bank deposits carried interest rates ranging from 2.1% to 3% per annum (2017: 2% to 2.75% per annum). The interest rates on borrowings are linked to three month EIBOR plus 3.2%.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

30. Financial instruments (continued)

30.4 Financial risk management objectives

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

30.5 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

30.6 Equity price risk

The Group's exposure for equity price risk at the reporting date is minimum, the Group has certain quoted marketable equity investment listed in the UAE stock exchanges and for the unquoted equity investment the Group has conducted the investment valuation by independent valuation expert at the reporting date.

30.7 Equity price sensitivity analysis

The Group's exposure to equity price risks at the reporting date is minimum. The majority of investment held by the Group is in unquoted equities. The unquoted equities are valued by experts at each reporting date.

30.8 Foreign currency risk management

There are no significant exchange rate risks as substantially financial assets and financial liabilities are denominated in Arab Emirates Dirhams or US Dollars to which the Dirham is fixed.

30.9 Credit risk management

The Group's principal financial assets are banks' current and deposit accounts and trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. 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. With effect from 1 January 2018, the Group has adopted IFRS 9 to measure the loss allowance.

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.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

30. Financial instruments (continued)

30.9 Credit risk management (continued)

An analysis of the Group's credit risk exposure for trade and other receivables has been disclosed below:

Trade and other receivables

31 December 2018

	Stage 1 12 months ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Life time ECL AED'000	Total AED'000
Trade and other receivables	72,422	218,890	46,802	338,114
Expected credit loss	(1,019)	(4,266)	(46,802)	(52,087)
Carrying amount	**71,403**	**214,624**	**-**	**286,027**

1 January 2018

	Stage 1 12 months ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Life time ECL AED'000	Total AED'000
Trade and other receivables	218,713	226,567	14,204	459,484
Expected credit loss	(1,751)	(5,666)	(14,204)	(21,621)
Carrying amount	**216,962**	**220,901**	**-**	**437,863**

30. Financial instruments (continued)

30.10 Liquidity risk management (continued)

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.

The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Financial assets and financial liabilities comprise of investments, trade and other receivables, bank balances and cash, borrowings, trade and other payables, which mature or are payable within one year from the end of the reporting date other than investments, trade and other receivables and borrowings which mature after one year (Note 9 and 12).

31. 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 fair values of 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 2017.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

31. Fair value measurements (continued)

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	Fair value as at 31 December 2018 AED'000	Fair value as at 31 December 2017 AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Fair value through other comprehensive income/available-for-sale						
Unquoted private equity investments and funds	**64,592**	108,974	Level 3	Net assets/ adjusted net asset value valuation method due to the unavailability of market and comparable financial information.	Net assets value/ Market approach	Higher the net assets value of the investees, higher the fair value.
Unquoted private equity investments and funds	**32,390**	87,573	Level 2	Net assets values were determined based on the latest available audited/historical financial information. wherever information is available.		
Quoted equity securities	**29,002**	48,724	Level 1	Quoted bid prices in an active market.	None	N/A
Financial assets at FVTPL						
Quoted equity securities	**4,250**	21,974	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted investments	**10,971**	11,269	Level 3	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 information is available.	Net assets value	Higher the net assets value of the investees, higher the fair value.

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

31. Fair value measurements (continued)

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).

31 December 2018

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Fair value through other comprehensive income				
Unquoted equities and funds	-	32,390	64,592	**96,982**
Quoted equity securities	29,002	-	-	**29,002**
Financial assets carried at FVTPL				
Assets held for trading	4,250	-	10,971	**15,221**
Investment properties	-	-	2,581,902	**2,581,902**
Investment properties under development	-	-	290,096	**290,096**
	33,252	**32,390**	**2,947,561**	**3,013,203**

Notes to the consolidated financial statements for the year ended 31 december 2018 (continued)

31. Fair value measurements (continued)

31 December 2017

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Available-for-sale				
Unquoted equities and funds	-	87,573	108,974	**196,547**
Quoted equity securities	48,724	-	-	**48,724**
Financial assets carried at FVTPL				
Assets held for trading	21,974	-	11,269	**33,243**
Investment properties	-	-	2,023,147	**2,023,147**
Investment properties under development	-	-	279,720	**279,720**
	70,698	**87,573**	**2,423,110**	**2,581,381**

There were no transfers between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

32. Dividend

The Directors propose that no dividend be paid for the year 2018 (2017: AED 100 million, AED 5 fils per share). The Directors also propose the Board of Directors' remuneration of AED 4 million (2017: AED 6 million).

The above are subject to approval by the Shareholders at the Annual General Meeting and have not been included as a liability in these consolidated financial statements.

At the annual general meeting held on 17 March 2018, the shareholders approved cash dividend of 6% amounting to AED 120 million (AED 6 fils per share) for the year ended 31 December 2017 (2016: 5%, AED 100 million). Shareholders also approved the Board of Directors' remuneration of AED 5.3 million for the year ended 31 December 2017 (2016: AED 5 million).

33. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 February 2019.

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2018

First, Measures taken to complete the corporate governance system during 2018 :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 were issued and published on the Securities and Commodities Authority website and the Company's website. This report, the tenth report, is for the year 2018.

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 decisions, 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 Ministerial Resolution No. 7 of 2016 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 2018 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 election of nine Board Members on March 17, 2018 at the ordinary general assembly meeting of the Company. The current session of the Board expires on March 16, 2021.

Second, Transactions performed by the Board Members, their spouses or sons regarding the securities of the Company during the year 2018:

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.

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2018

During 2018, 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 31/12/2018	Total sales during 2018	Total purchase during 2018
1	Mohammad Hassan Abdullah Omran Al Shamsi	Chairman	3,058,678	-	-
2	Abdulaziz Abdullah Salem Al Zaabi	Vice-Chairman	1,000,000	-	-
3	Mohammad Sultan Mohammad Al Qadi Al Shehhi	Managing Director	1,000,000	-	-
4	Sheikh Tariq Ahmed Humaid Mohammed Al Qassimi	Independent Board Member	6,001,000	-	-
5	Sheikh Ahmed Omar Abdullah Al Qassimi	Independent Board Member	200,000	-	-
6	Mohammed Abdullah Mohammed Al Hammoudi Al Meherzi	Independent Board Member	2,136,376	-	-
7	Mohamed Ahmed Ali Hassan Ruqait Al-Ali	Independent Board Member	120,000,000	-	80,000,000
8	Nawwaf Ghubash Ahmed Ghubash Al Marri	Independent Board Member	273,347	-	200,000
9	Samih Onsi Naguib Sawiris	Independent Board Member	-	-	-

Third, Composition of the Board of Directors:

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

Pursuant to Article 19 of the Company's Articles of Association, the Board of Directors of the Company shall be composed of nine (9) 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 fifth session during the Company's Annual Meeting on Saturday, 17 March 2018 and thus the Board has spent about a year until the preparation of this report.

The elected Board consists of nine Board Members, 8 Emiratis and one Egyptian, i.e. Mr. Samih Onsi Naguib Sawiris. The Board 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 16 March 2021 The following is the Board's composition according to the categories of its members and their details, experiences and qualifications:

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2018

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**	**Mr. Mohammad Hassan Omran**	Independent	He has very extensive and rich experience in communications. He has served as Chairman of the Board of Directors of Emirates Telecommunications Corporation (Etisalat) from 2005 to 2012, which is considered one of the largest companies in the world, ranked among the top 500 companies on the Financial Times list. He was named as one of the 100 most powerful Arab people in the world by the Arabian Business magazine in the year 2010, and he is the only Arab person to maintain his presence on the list of 2010. The Telecommunications Regulatory Authority awarded him the Chief International Officer prize for the year 2011, acknowledging him as the best international leader in the telecommunications sector. He joined Etisalat in the year 1977, one year after it was established. In 1982, he served as the Director of Ras Al-Khaimah region, and in 1984, he was appointed the Deputy General Manager of Etisalat. In the year 2004, he was appointed the Company's Chief Executive Officer. From 1977 and until 2012, he also served as the Chairman of the Board of Directors of Thuraya, a leading company in mobile satellite services covering around two thirds of the globe. His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE, issued a decree appointing Mohammad Omran Al Shamsi as the Chancellor of Higher Colleges of Technology with rank of minister. He held this post until 2018.	Holds a BA in electronic engineering from Cairo University, Egypt,1977.	10 years	Chairman at National Bank of Ras Al Khaimah	Chairman of RAK Properties
2	**Vice-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 nvestments. He also has onsiderable experience in Federal National Council (FNC) affairs.	Holds a BA in International Business Administration from San Jose State University, USA, 1987.	10 years	Chairman of Al Khaleej Investment Board Member of Julphar pharmaceutical company	Second Vice President of the Federal National Council (FNC). Chairman of Ras Al Khaimah Charity Association Vice-Chairman of RAK Properties

3	**Managing Director**	**Mr. Mohammad Sultan Al Qadi**	Non-executive Board Member	He has 35 years of extensive managerial experience during which he hold different positions. He spent most of his experience years in Emirates Telecommunications Corporation (Etisalat), 26 years, where he held several leadership positions, including General Manager at Etisalat Ras Al Khaimah, chairman of Etisalat Zanzibar "Zantel". He led a work team that managed to win license for Etisalat to operate in Sudan (Sudatel).He was a board member at the Arab Satellite Communications Organization (Arabsat) for 15 years and the UAE representative at Arab ICT Permanent Committee, Arab League and other important roles. Mr. Mohammad Sultan Al Qadi was awarded an advanced rank among top 100 CEOs for the year 2017 in the GCC region. The awards was organized by TRENDS magazine, KSA, and evaluated by INSEAD business school. He also was named Top CEO for 2018 in the GCC during the of Top CEO of GCC Conference and Award, which was evaluate by the INSEAD business school and organized by TRENDS Magazine in Saudi Arabia.	Graduated from the British Royal University, mail & communication college	10 years	Vice-Chairman of Ras Al Khaimah Co. for White Cement & Construction Materials. Chairman of Commercial Bank International (CBI)	Managing Director of RAK Properties
4	**Board Member**	**Sheikh Tariq Ahmed Bin Humaid Al Qassimi**	Independent	He has vast experience in the banking, bank management and business administration.	Holds a BA in Business Administration from San Francisco University, USA	7 years	Non	Board Member, RAK Properties
5	**Director**	**Sheikh Ahmed Bin Omar Al Qassimi**	Independent	Has more than eight years of experience in management and business administration.	Holds a Master's degree in Business Administration from the Canadian University Dubai	4 years	Non	Director, RAK Properties
6	**Board Member**	**Dr. Mohammed Abdullah Al Meherzi**	Independent.	Has extensive experience in the field of customs and ports in Ras Al Khaimah. He also has considerable experience in managing, organizing and supervising the Customs and Ports.	Holds a PhD in Governmental Administration (Added Tax) from the University of Canberra, Australia, and a master's degree in literature from the University of Westminster, UK.	4 years	Non	Director General of RAK Customs Department Board Member, RAK Properties

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2018

7	**Board Member**	**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	10 years	Non	Chairman of Al Ali Construction & Development company.Secretary-General of Saqr Bin Mohammed Al Qasimi Charity and Humanitarian Foundation. Director General of the Private Office of H.H. Sheikh Saud bin Saqr Al Qasimi, a UAE Supreme Council Member and Ruler of Ras Al Khaimah. Director, RAK Properties Owner of Mohamed Ruqait Properties
8	**Director**	**Nawwaf Ghubash Al Marri**	Independent	Has more than 20 years of experience in managing and developing real estate and shopping malls, investment, insurance, health, retail and new business establishment, as well as strong experience in corporate and institutional administration.	Bachelor of Business Administration from the United Arab Emirates University, 1998	8 years From 2005 to 2012 And from 2018 to present	Chairman of United Insurance Company	Vice-Chairman of Ghobash Trading and Investment Company Ltd since 1999. Board Member and member of the Executive Committee of the Sahara Centre in Sharjah since 2000. Chairman of Julphar Bangladesh since 2015.
9	**Board Member**	**Samih Onsi Sawiris**	Independent.	Extensive experience in managing companies of various fields	BA in Economic Engineering from the Technical University of Berlin, 1980	1 year	Non	Founder and Chairman of Orascom Development Holding, Egypt Founder and Member of Sawiris Foundation for Social Development, established in April 2001.

B - Women's representation in the Board of Directors for the year 2018:

Under Article 19 of the Company's Articles of Association, the Board of Directors shall consist of nine (9) members 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	9	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 2017:

The remuneration paid to the Chairman and Board Members for the year 2017 amounted to AED 5,263,000 which was presented to the shareholders' General Assembly held on March 17, 2018 and received its approval.

2. Total of Board Members' remuneration proposed for the year 2018, 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. 7 of 2016 on the standards of institutional discipline and governance of public joint stock companies. Board Members propose to the General Assembly a bonus of 4 million Dirhams to be distributed among them for the year 2018.

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2018

3. Attendance allowance received by the Board Members for attending the meetings of the Board committees for the fiscal year 2018 are as detailed in following table:

No	Name	Position	Attendance allowance for attending the meetings of the Board's committees				
			Executive and Investment Committee	**Nominations and Remunerations Committee (NRC)**	**Audit committee**	**Total of allowance value**	**Number of meetings**
1	Mr. Mohammad Hassan Omran	Chairman	-	-	-	-	-
2	Mr. Abdulaziz Abdullah Al Zaabi	Vice-Chairman and Chairman of Executive and Investment Committee	4 meetings (10,000) per meeting	-	-	40,000	4
3	Mr. Mohammad Sultan Al Qadi	Managing Director, Chairman of Nominations and Remunerations Committee and former member of Nomination Committee and Executive & Investment Committee for the previous session.	Meeting (5,000) per meeting	Meeting (5,000) per meeting	-	10,000	2
4	Sheikh Tariq Ahmed Humaid Al Qassimi	Board Member and member of Executive and Investment Committee	3 Meetings (5,000) per meeting	-	-	15,000	3
5	Sheikh Ahmed Omar Al Qassimi	Board Member, member of Nominations and Remunerations Committee and member of Executive and Investment Committee	4 meetings (5,000) per meeting	-	-	20,000	4
6	Dr. Mohammed Abdullah Al Meherzi	Board Member, Chairman of Audit committee and a former member of Nomination Committee for the previous session.	-	Meeting (5,000) per meeting	4 Meetings (10,000) per meeting	45,000	5

7	Mr. Mohamed Ahmed Ruqait	Director, member of Nomination and Remuneration Committee and member of Executive Committee and Investment	2 Meetings (5,000) per meeting	-	-	10,000	2
8	Mr. Nawwaf Ghubash Al Marri	Board Member, member of both Executive and Investment Committee and Audit committee	Meeting (5,000) per meeting	-	Session (5,000) per meeting	10,000	2
9	Mr. Samih Onsi Sawiris	Board Member	2 Sessions (5,000) per meeting	-	-	10,000	2
10	Mr. Mustafa Ali Al Sheryani.	Former Board Member for the previous session and former member of both Audit committee and Executive Committee for the previous session.	Meeting (5,000) per meeting	-	Session (5,000) per meeting	10,000	2
	Mr. Jamal Salem Bin Darwish	Former Board Member for the previous session and former Chairman of both Nomination committee and Executive Committee for the previous session.	Meeting (5,000) per meeting	Session (10,000) per meeting	-	15,000	2
11	Mr. Andrew Robinson	Independent member of Audit committee	-	-	3 Meetings (5,000) per meeting	15,000	3
12	Mr. Saju Augustine	(Former member of the Audit Committee) for the previous meeting.	-	-	Meeting (5,000) per meeting	5,000	1

Note 1: The Managing Director, Mr. Mohammad Sultan Al Qadi, receives an additional effort allowance of AED 100,000 per month for performing the duties and responsibilities of the Managing Director as an additional effort above Board Member normal duties.

Note 2: Mr. Andrew Robinson, an independent member of the Audit committee, receives a monthly bonus of AED 1,667 in addition to AED 5,000 per meeting as attendance allowance.

C. Number of Board meetings during 2018:

During the fiscal year 2018 ended 31 December 2018, the Board held 8 meetings as follows:

No	Meeting date	Personal Attendance	Attendance by Proxy	Names of Absent Members/ sent their apologies
1	Meeting no. 1/2018 on 15/2/2018	9		
2	Meeting no 2/2018 on 8/3/2018	7		Sheikh Tariq Ahmed Al Qassimi Mr. Jamal Salem Bin Darwish (former member)
3	Meeting no 3/2018 on 17/3/2018	8	1	Mr. Samih Sawiris sent his apologies and nominated Mr. Nawwaf Ghubash to attend on his behalf
4	Meeting no 4/2018 on 19/4/2018	8		Mr. Mohamed Ahmed Ruqait
5	Meeting no 5/2018 on 30/6/2018	8		Dr. Mohammed Abdullah Al Meherzi
6	Meeting no 6/2017 on 4/10/2018	7		Sheikh Ahmed Bin Omar Al Qassimi Mr. Samih Onsi Sawiris
7	Meeting no 7/2017 on 27/10/2018	9		-
8	Meeting no. 8/2018 on 8/12/2018	9		-

Chairman and Board Members Personal attendance was as follows:

Name	Attendance
Mr. Mohammad Hassan Omran	8
Abdulaziz Abdullah Al Zaabi	8
Mr. Mohammad Sultan Al Qadi	8
Sheikh Tariq Ahmed Al Qassimi	7
Sheikh Ahmed Bin Omar Al Qassimi	7
Dr. Mohammed Abdullah Al Meherzi	7
Mr. Mohamed Ahmed Ruqait	7
Mr. Nawwaf Ghubash Al Marri	6
Mr. Samih Onsi Sawiris	4

D. 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' tenth resolution issued on 17/5/2016 at its second meeting held on 30/4/2016, the item on reviewing the authorization form of the Managing Director / CEO. The Board unanimously approved the appointment of Managing Director / CEO of RAK Properties,

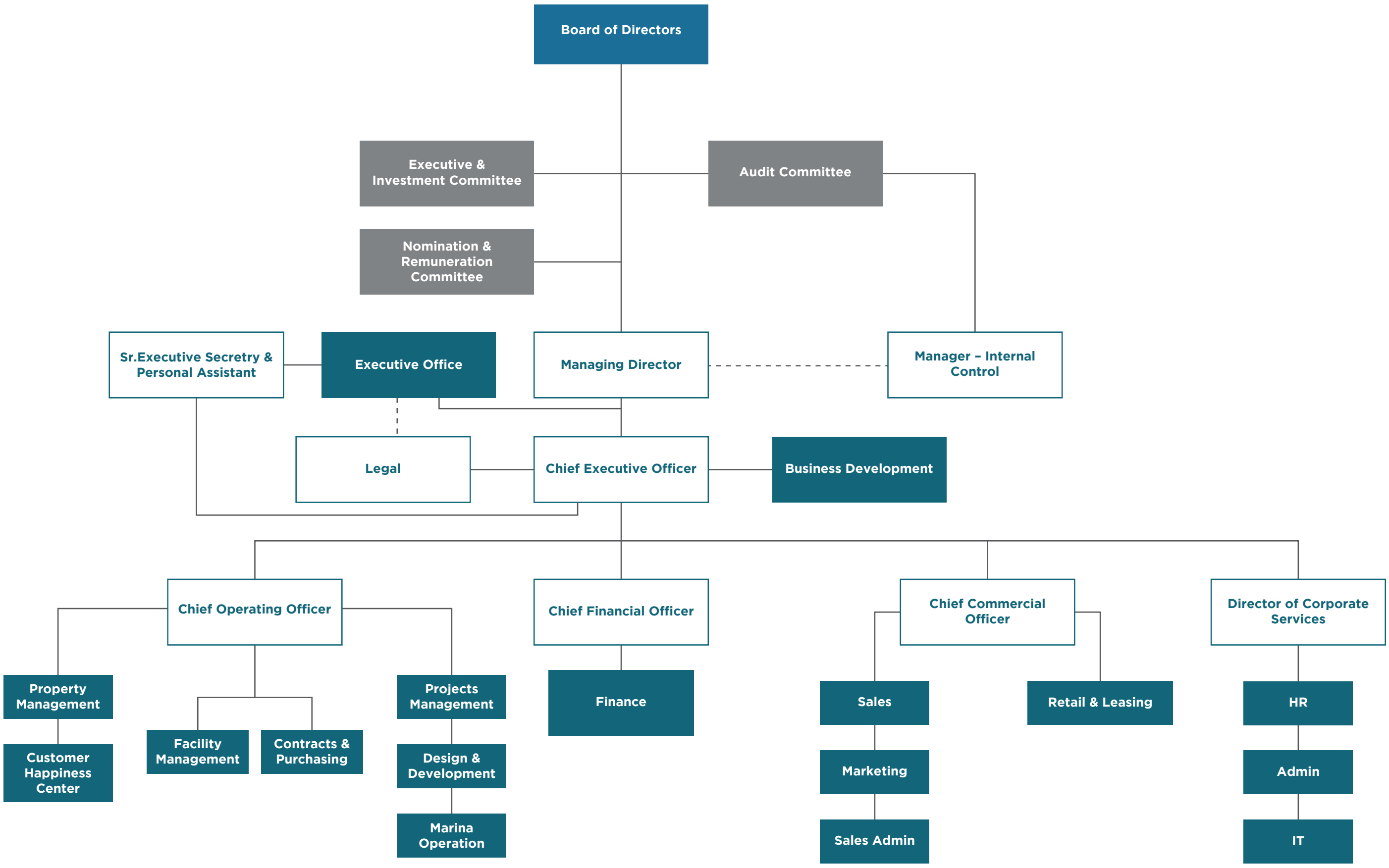
Mr. Mohammad Sultan Al Qadi, to represent the Company before all departments; authorities; private, official or nonofficial entities; companies; establishments and private sector establishments. They also appointed him to sign all transactions and papers necessary for the completion of the Company's 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, manage all their financial, administrative, legal and judicial affairs.

The Board of Directors also decided to authorize Mr. Mohammad Sultan Al Qadi (Managing Director / CEO) 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. He has been vested with the power to authorize and ratify all arbitration agreements and contracts that include the arbitration clause that was previously concluded By Mr. Mohammad Sultan Al Qadi (Managing Director / CEO) in the name of the Company and on its behalf with any party, and all the measures taken in this regard in light of the Company's Articles of Association provisions. The Board of Directors' resolution No. 3/3/2018 renewed the authorization of powers granted to the Managing Director at the meeting held on 17/3/2018. The mandate is due to end when the current Board of Directors' term ends on March 16, 2021.

E. Related Party Transactions (Stakeholders)

No transactions with related parties were made in the year 2018.

F. Company's Organizational Structure:



G. Details of the Company's senior executives

Name	Position	Date of appointment	Total salaries and remunerations paid for the year 2018 in Dirhams	Total bonuses paid for the year 2018 in Dirham	Any other cash / in-kind bonuses for 2018 or due in the future
Mr. Samuel Dean Sidiqi	CEO	2018/5/6	1,279,256	-	495,000
Mr. Mohammed Al Tair	Chief Operating Officer	2008/2/17	1,064,486	-	39,000
Mr. Maroky Joseph	Chief Financial Officer	2005/12/5	842,848	-	33,000
Mr. Giles Alexander Hannah	Chief Commercial Officer	2018/6/24	799,755	Sales commission 10,654	Sales commission 14,906
Mr. Omar Al Ali	Manager of Corporate Services Department	2017/8/20	690,740	-	24,420
Dr. Ahmad Husam Al Sagheer	Legal advisor and Secretary of the Board of Directors	2017/2/1	502,074	-	19,085

Fourth: External Auditor:

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

Deloitte & Touche is one of the most experienced external auditing firms accredited by the Ministry of Economy. Deloitte & Touche has offices in Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah and Fujairah. Deloitte & Touche was appointed the Company's External Auditor. 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 Resolution No. 7 of 2016 on the rules of governance and standards of institutional discipline.

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

Name of Auditing Office	Deloitte & Touche
Number of years spent as an external auditor of the Company	8 years
Total audit fees in AED for 2018 financial statements	AED 275,000
Fees and costs for special services other	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 2018	There is no another external auditor

Deloitte & Touche was appointed the Company's External Auditor by the approval of the Annual General Meeting for the year 2011 at its Ordinary Meeting on 24 March 2011 and their fees was set at AED 215,000 (Two Hundred Fifteen Thousand Dirhams). It was reappointed at the AGM on April 18, 2012 and their fees were set at AED 255,000 (Two Hundred Fifty Five Thousand Dirhams); for FY2014 at the AGM on 13 March 2014 and their fees were set at 275000 (Two Hundred Seventy Five Thousand Dirhams); for FY2015 at the AGM on 19 March 2015 and their fees were set at AED 235,000 (Two Hundred Thirty Five Thousand Dirhams); on 19 March 2016 and their fees were set at AED 275,000 (Two Hundred Seventy Five Thousand Dirhams); on March 18, 2017 and their fees were set at AED 285,000 (Two Hundred Eighty Five Thousand Dirhams) and for FY2018 at the AGM on March 17, 2018 and their fees were set at AED 275,000 AED (Two Hundred Seventy Five Thousand Dirhams). Their services included all professional services related to auditing quarterly and annual financial reports in accordance with all terms and conditions associated with the external auditor pursuant to Ministerial Decree No. 7 of 2016.

RAK Properties also resorted to Land Sterling Property Consultants LLC to assess the land owned by RAK Properties for AED 57,000 and resorted to HLB Hamat to assess RAK Properties shares at other companies and investment funds for AED 20,000 in order to obtain unbiased and independent assessments of its properties and investments.

c. Qualified opinions made by the Company's auditor in the annual interim financial statements for the year 2018:

No Qualified opinions made by the Company's auditor for the year 2018

Fifth: Audit Committee

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

This committee was formed in accordance with the corporate governance rules and regulations. It consists of four members, three of whom are Board members and the fourth is an independent member from outside the Board of Directors appointed by the Board of Directors:

Members of the Audit Committee during the Board previous session that ended on March 19, 2005 are:

- Sheikh Tariq Ahmed Bin Humaid Al Qassimi, Committee's Chairman
(Non-Executive & Independent Board Member)

- Mr. Mohammed Abdullah Al Meherzi, independent committee member
(Non-Executive & Independent Board Member)

- Mr. Mohamed Thaaloob Alderei
(Non-Executive & Independent Board Member)

- Mr. Saju Augustine, committee member

The Audit Committee was restructured during the current Board of Directors' session on 17 March 2018 to date. The Committee included the following:

- Dr. Mohammed Abdullah Al Meherzi, Committee's Chairman
(Non-Executive & Independent Board Member)

- Mr. Nawwaf Ghubash Al Marri, committee member
(Non-Executive & Independent Board Member)

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Pursuant to the Board of Directors' Decision No. 7/4/2018, issued by the meeting held on April 19, 2018. Mr. Andrew Robinson was elected as an Audit Committee member from outside the Board of Directors. He is qualified and has more than 20 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.
No other special or additional services were provided by Deloitte & Touche the Company's external auditor except for auditing the financial statements for 2018.

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 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.
- 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.

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

During the fiscal year ended 31 December 2018, the Committee held the following meetings:

1- Meeting no. 1/2018 on 13/2/2018
2- Meeting no. 2/2018 on 10/5/2018
3- Meeting no. 3/2018 on 2/8/2018
4- Meeting no. 4/2018 on 25/10/2018

Name	Attendance
Mr. Mohammed Abdullah Al Meherzi	4
Dr. Mr. Mustafa Ali Al Sheryani (former member of the Audit Committee)	1
Mr. Nawwaf Ghubash Al Marri	1
Mr. Andrew Robinson	3
Mr. Saju Augustine (former member of the Audit Committee)	1

Sixth: Nominations and Remunerations Committee:

a. 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 on March 17, 2018. They are as follows:

• Mr. Mohammad Sultan Al Qadi, Committee Chairman
(Managing Director)

• Sheikh Ahmed Bin Omar Al Qassimi, Committee member
(Non-Executive & Independent Board Member)

• Mr. Mohamed Ahmed Ruqait, Committee member
(Non-Executive & Independent Board Member)

For the purpose of 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- Managing Director

3- 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

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- 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

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

During FY2018, the Committee held one meeting chaired by of Mr. Jamal Salem Bin Darwish (former Board Member and former Chairman of Nominations and Remunerations Committee for the previous session) prior to the General Assembly held on 4/3/2018. The meeting was attended by:

1- Dr. Mohammed Abdullah Al Meherzi (Board Member and former member of Nominations and Remunerations Committee for the previous session)

2- Mr. Mohammad Sultan Al Qadi (managing director, present chairman of the committee during its current session and former member of Nominations and Remunerations Committee for the previous session)

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

a. FSIT Committee's members names, terms of reference and tasks:
FSIT Committee was formed as follows:

1- Company's Legal Advisor: Dr. Ahmed Hossam Al Sagheir

2. Company's Chief Financial Officer: Mr. Maroky Joseph

3. Manager of Internal Control Department: Mr. Usman Zishan

The functions of this committee are to develop a special and integrated record for all insiders, including persons who may be considered as temporary insiders and who are entitled or have access to the Company's internal information prior to publication. The record also includes insiders' previous and future disclosures.

b. Report summary of the Committee's work during 2018:

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.

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

a. 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 4 members.

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The Executive Committee and the Investment was formed in accordance with the Board of Directors Decision No. 4/3/2018. It consisted of 5 members before adding Mr. Samih Onsi Sawiris as a member of the Committee by the Board of Directors Decision No. 1/4/2018. The 6 Board Members are the members of the Executive and Investment Committee during the Board's current on 17 March 2018 and their names are as follows:

1- Mr. Abdulaziz Abdullah Al Zaabi, Committee Chairman
(Board's Vice-Chairman)

2- Sheikh Tariq Ahmed Bin Humaid Al Qassimi, Committee member
(Non-Executive & Independent Board Member)

3- Sheikh Ahmed Bin Omar Al Qassimi, Committee member
(Non-Executive & Independent Board Member)

4- Mr. Samih Onsi Sawiris, Committee member
(Non-Executive & Independent Board Member)

5- Nawwaf Ghubash Al Marri, Committee member
(Non-Executive & Independent Board Member)

6- Mr. Mohamed Ahmed Ruqait, Committee member
(Non-Executive & Independent Board Member)

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

- Support and help the Managing Director, CEO and Executive Management Team.

- Periodically review the Company's projects work progress in addition to its works ingeneral.

- 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 adecision 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.

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

During the fiscal year ended 31 December 2018, the Committee held the following meetings:

1- Meeting no. 1/2018 on 1/2/2018
2- Meeting no. 2/2018 on 24/6/2018
3- Meeting no. 3/2018 on 15/9/2018
4- Meeting no. 4/2018 on 13/12/2018

Name	Attendance
Mr. Abdulaziz Abdullah Al Zaabi	4
Sheikh Tariq Ahmed Bin Humaid Al Qassimi	3
Sheikh Ahmed Bin Omar Al Qassimi	4
Mr. Samih Onsi Sawiris	2
Mr. Nawwaf Ghubash Al Marri	1
Mr. Mohamed Ahmed Ruqait	2
Mr. Jamal Salem Bin Darwish (former Committee member)	1
Mr. Mustafa Ali Al Sheryani (former Committee member)	1
Mr. Mohammad Sultan Al Qadi (former Committee member)	1

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 governancerequirements, subject of this report.

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

Mr. Usman Zishan, Manager of Internal Control Department, holds a BA in Commerce, 2002. He is a Board member and has practical experience in internal audit. 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. Accountancy:

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 Managing Director. 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.

(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 Director 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 CEO for review and approval.

(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, CEO and other managers.

(G) Informing the Managing Director, CEO 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 ECO, 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 Mr. Usman Zishan, Manager of Internal Control Department, to be appointed compliance officer for the financial year 2018.Mr. Usman Zishan has a Bachelor of Commerce from Karnatak University, India, 2002. He has six years of experience and held many positions including Director of Al Bayan Real Estate Establishment, Dubai. He was appointed Internal Auditor of RAK Properties as of March 27, 2008 to date. Currently, he is the Company's Compliance Officer.

(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.

Tenth: Details of violations committed during the fiscal year

No violation was committed during the fiscal year 2018

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

During 2018, RAK Properties made the following contributions:

- Sponsorship of the Golden Care Section in the Department of Economic Development.
- Sponsorship of the Ajman Club For Disabled
- Sponsorship of Al-Taawon Club
- Sponsorship of Ras Al Khaimah Club
- Sponsorship of Al Hisn Charity
- Sponsorship of the International Human Conference
- Sponsorship of Ras Al Khaimah Radio
- Organizing a campaign for providing meals fasting workers
- Organizing the mangrove cleaning campaign in cooperation with the Environmental Protection and Development Authority EPDA and Fox Networks Group Middle East.

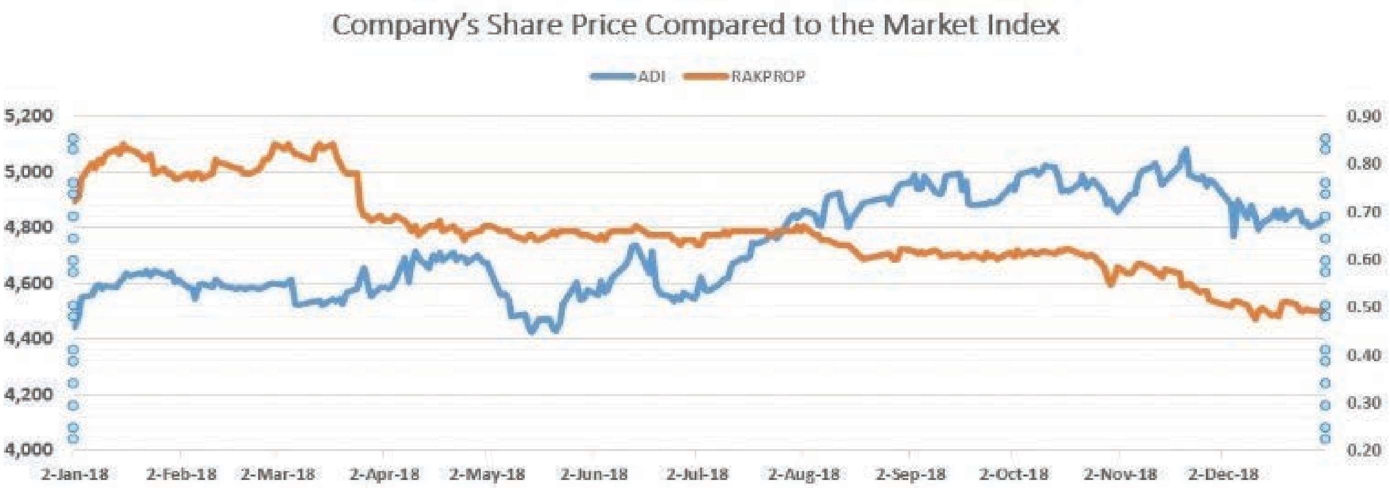
Twelfth: General information:

a. The Company's share market price (closing , high and low price) at the end of each month during FY2018

Month	Date	High	Low	Closing	Volume	Value	Trading No.
Dec	31/12/2018	0.50	0.48	0.50	443,276	217,406.17	9
Nov	29/11/2018	0.52	0.51	0.51	870,057	445,981.47	24
Oct	31/10/2018	0.56	0.55	0.56	1,938,853	1,075,500.49	40
Sep	30/9/2018	0.61	0.60	0.61	729,703	443,802.44	12
Aug	30/8/2018	0.62	0.60	0.62	2,153,480	1,311,041.00	37
Jun	31/7/2018	0.67	0.66	0.67	4,780,564	3,198,188.33	34
Jul	28/6/2018	0.64	0.63	0.64	1,476,779	943,638.56	31
May	31/5/2018	0.65	0.64	0.65	3,809,350	2,466,021.50	42
Apr	30/4/2018	0.66	0.65	0.66	3,549,553	2,336,856.97	51
Mar	29/3/2018	0.69	0.67	0.68	16,391,410	11,068,913.17	161
Feb	28/2/2018	0.82	0.80	0.82	8,784,229	7,143,239.19	88
Jan	31/1/2018	0.78	0.76	0.77	4,131,604	3,182,815.08	42

b. Comparison between the company's share performance and the general market index and the index of the sector to which the company belongs during 2018:

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



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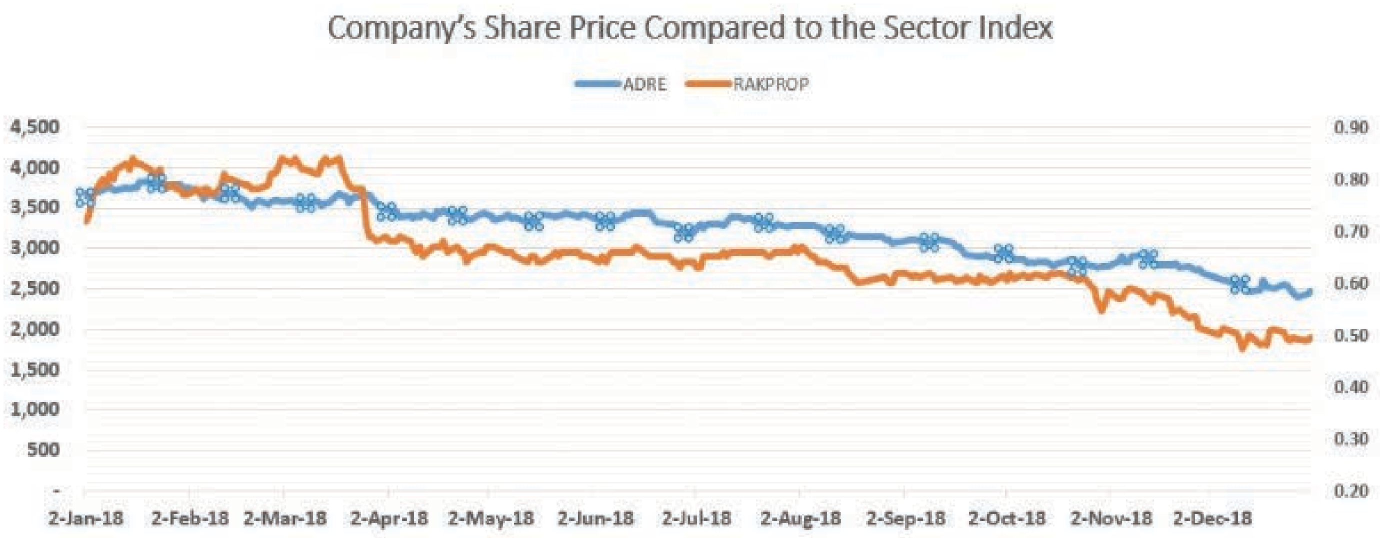
2. Comparing the Company's index to the sector index



3. Shareholders' equity as of 31/12/2018 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%	72%	49%	10.962%	49%	5.559%	49%	11.474%	27.99%	2,000,000,00

(C) Shareholders' equity as of 31/12/2018 classified as follows (Individuals / Companies/ Governments): National / GCC/ Arab / Foreign:

Individuals				
Nationality Types	Volume	Net Value (AED)	%age	Number of Shareholders
ARB	107,440,372	53,720,186	5.373	16,117
GCC	114,739,444	57,369,722	5.738	10,452
OTH	79,113,297	39,556,649	3.957	7,962
UAE	1,092,881,919	546,440,960	54.656	34,872

Companies				
Nationality Types	Volume	Net Value (AED)	%age	Number of Shareholders
ARB	3,709,819	1,854,910	0.186	34
GCC	104,457,784	52,228,892	5.224	129
OTH	150,300,449	75,150,225	7.517	211
UAE	273,773,584	136,886,792	13.692	638

Governments				
Nationality Types	Volume	Net Value (AED)	Percentage	Number of Shareholders
UAE	73,150,294	36,575,147	3.658	16

(D) Shareholders who own (5%) and above of the Company's capital as at 31/12/2018

No	Name	Number of owned shares	Shareholding percentage against the share capital
1	Mr. Mohamed Ahmed Ruqait (Board Member)	120,000,000	6%

E) Distribution of shareholders according to shareholding volume as at 31/12/2018 according to the following table:

No	Shareholding	Number of Shareholders	Number of shares	Shareholding percentage against the share capital
1	Less than 50,000	12,470	123,034,188	6.1%
2	From 50,000 to less than 500,000	1531	242,308,556	12.1%
3	From 500,000 less than 5,000,000	468	665,677,033	33.3%
4	Less than 5,000,000	78	969,002,953	48.5%

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

- Name and contact information of the Investor Relations Officer:

- Mr. Ghaith Zghaibi was appointed Manager of Investor Relations. He can be contacted via e-mail ghaith@rakproperties.net. Mr. Ghaith Zghaibi joined RAK Properties as of March 1, 2011 and is one of the Company's competent individuals.

- 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 link:http://www.rakproperties.net/investor-relations/

(G) Special resolutions presented in the general assembly held during 2018 and the actions taken thereon.

No special resolutions

(H) Board Rapporteur's name and date of his/ her appointment:

Board Rapporteur is Dr. Ahmed Hossam El Sagheir. He is the Company's Legal Advisor. He was appointed on 1/2/2017.

(I) Substantial events that occurred during the year 2018:

There has been no unusual or substantial events faced by the Company in 2018.

(J) Percentage of Emiratization in the Company by the end of 2018:

Number Board's national members are 8 out of 9.and they include the Board's Chairman and Vice-Chairman and percentage of employees' Emiratisation is 8.6%.

(K) Projects and innovative initiatives undertaken by the Company or initiatives under development in 2018.

The Company established a specialized committee for innovation that encourages innovation initiatives. The committee organized activities to showcase the latest technology in the field of robotics and some other innovations in Mina Al Arab complex.

In the case of contradiction between Arabic and English text , the Arabic text shall prevail.

Mohammad Hassan Omran
Chairman of RAK Properties

Date: 3 March 2019