

ANNUAL REPORT 2019





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

Ras Al Khaimah (RAK) is the northernmost of the seven Emirates that make up the United Arab Emirates. It is known for its rich history, dating back 7,000 years, and diverse landscape, from 64km of pristine beaches, to terracotta deserts and an imposing mountain backdrop. The Emirate is home to the highest peak in the UAE, Jebel Jais, which features the world's longest zip line, at almost 3km. Ras Al Khaimah is also centrally located at the modern crossroad between Europe, Asia and Africa, with one third of the world's population within four hour's flying time, making it an ideal location for businesses to expand into the UAE, the Middle East and Africa and beyond. Indeed, the World Bank's Doing Business report ranks Ras Al Khaimah 30th out of 190 economies for ease of doing business.

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

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









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 Premiere Waterfront Community

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

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





MINA AL ARAB
BERMUDA



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 & attractive promenade with cafe culture.



G/ATEWAY 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.





INTERCONTINENTAL
RAS AL KHAIMAH MINA AL ARAB RESORT

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.





جلفظ
JULPHAR
أڤنيو و اڤنيو

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





MESSAGE FROM THE MANAGING DIRECTOR

In closing out the second decade of the 21st Century, and 15 years of operations since our founding, 2019 represented a period of robust development by RAK Properties. With a number of key milestones achieved – from projects delivered to new deals signed and increased revenue – there has been much to celebrate as RAK Properties continues to deliver on its promise of supporting the ongoing development of the Emirate of Ras Al Khaimah. Going forward, we also look to embrace the UAE’s forward-looking annual theme, for the next half-century of growth – “Towards the Next 50” led by His Highness Shaikh Khalifa Bin Zayed Al Nahyan, President of the UAE.

With a long-established reputation for delivering iconic master developments, contemporary residential and commercial styles, sustainable design, and the highest quality in planned communities, RAK Properties will continue to be a significant driver of the Ras Al Khaimah economy, over the coming decade. This will largely be through a combination of the emirate’s burgeoning tourism industry and its growing international reputation for value-added property investment. This has been seen from UAE nationals, expatriate residents, and foreign investors alike.

In the hospitality sector, RAK Properties will also see the ongoing development of two key hospitality projects, scheduled for completion in early 2021 – the Anantara Mina Al Arab Hotel and Resort, and the Intercontinental Hotel and Resort. With these two projects expected to start operations next year, they will become a welcome addition to the company’s recurring revenue portfolio.

Across the residential and commercial real estate spectrum, RAK Properties continues to be best placed to take the property sector to even greater heights and we fully intend to mobilise all means available to maintain our development momentum across the emirate, the wider UAE, and internationally; honoring our commitment to on-time-delivery, and value creation for all stakeholders.

As always, I extend my sincerest gratitude to: Supreme Council Member and Ruler of Ras Al Khaimah, His Highness Sheikh Saud Bin Saqr Al Qasimi; His Highness Crown Prince Sheikh Mohammed Bin Saud; the Government of Ras Al Khaimah; the Board of Directors; and our stakeholders and investors for their support and trust. I would also like to thank all our employees, for their ongoing dedication and efforts, in making RAK Properties the continued success story we all share a part in.

Mohammed Sultan Al Qadi
Managing Director, 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 31st December 2019.

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

During the year RAK Properties continued investing in the development of residential and hospitality properties.

The Gateway Residence, Mina Al Arab, Ras Al Khaimah and the Julphar Residence, Reem Island, Abu Dhabi are the two residential buildings nearing handing over. The other significant residential project is Marbella villa community in Mina Al Arab, Ras Al Khaimah, the construction of this luxury villa project is progressing in line with the development timeline.

The Anantara Mina Al Arab Ras Al Khaimah Eco resort hotel and the Intercontinental luxury hotel, Mina Al Arab, Ras Al Khaimah, are the two key hospitality assets of RAK Properties. The construction of these two hotels are progressing as per project time lines.

Financial Result

2019 Net Profit

AED 100.7 Million
(2018: AED 150.52 Million)

2019 Comprehensive Income

AED 95.51 Million
(2018: AED 33 Million)

Company Total Asset (31st December 2019)

AED 5.68 Billion
(AED 5.34 Billion :2018)

Outlook 2020

As we all know, the year 2020 is going to witness the EXPO 2020 in the United Arab Emirates, the impact of Expo 2020 will spread across UAE, the over-all expectation has been on the upward trend.

RAK Properties also expects a better 2020 than 2019 with the support of all stakeholders. RAK Properties has significantly increased the development budget in the Mina Al Arab, the flag ship project particularly in the hospitality and residential asset class, marine work, solar power, infrastructure and the other attractions., with a vision to brand the Mina Al Arab, one of the most desired destinations to live, work and relax at the same time accomplish right yield for the investors and customers.

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



Nawwaf Ghubash Ahmed Al Maari
Director



Sheikh Ahmed Omar Al Qassimi
Director



Dr. Mohammed Abdulla Mohammed Al Mehrezi
Director

M/s. KPMG has been the auditor of the company, they are eligible for re-appointment and have expressed their willingness to be re-appointed.

On behalf of the Board,

Mohammad Hassan Omran
Chairman

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

31 December 2019

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 PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income comprising a separate consolidated income statement and a consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

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

31 December 2019

Key Audit Matters (Continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matters
<p>Valuation of unquoted investments measured at fair value through other comprehensive income</p> <p>Refer notes 3(e) (iii) and 10 to the consolidated financial statements.</p>	
<p>The Group has unquoted investments carried at fair value through other comprehensive income in its investments portfolio.</p> <p>In determining fair values of these unquoted investments, management engages professionally qualified external valuers to measure the fair value.</p> <p>We identified assessing the fair value of unquoted investments measured at fair value through other comprehensive income as a key audit matter because of the degree of complexity involved and significant judgment exercised in determining the inputs used in the valuation models.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the external valuers' qualifications, experience and expertise in the investments being valued and considered their objectivity, independence and scope of work; • Obtained and inspected the valuation assessment prepared by the external valuers engaged by the Group; • With the assistance of our internal valuation specialist, assessed the valuation methodologies, key assumptions and critical judgments used by comparing these with market data, or other publicly available information; and • Assessed the adequacy of disclosures in the consolidated financial statements.
<p>Valuation of investment properties and investment properties under development</p> <p>Refer notes 3(e) (i), 7 and 8 to the consolidated financial statements.</p>	
<p>The Group owns a portfolio of investment properties and investment properties under development comprising commercial properties, residential properties, car parks and various pieces of land. These properties are located in United Arab Emirates (UAE).</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the external valuers' qualifications, experience and expertise in the investment properties and investment properties under development being valued and considered their objectivity, independence and scope of work;

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

31 December 2019

Key Audit Matters (Continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matters
Valuation of investment properties and investment properties under development (Continued) Refer notes 3(e) (ii), 9 and 12 to the consolidated financial statements.	
<p>These investment properties and investment properties under development are stated at their fair values as determined by independent real estate valuers ("the valuers") engaged by the Group.</p> <p>The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the significant unobservable inputs and a small change in the assumptions can have a significant impact to the valuation.</p>	<ul style="list-style-type: none">• With the assistance of our internal valuation specialist, we considered the reasonableness of valuation methodologies and assumptions used in the valuations such as sales comparable data and recent market transactions;• Carried out procedures to test, on sample basis, whether property specific data supplied to the external valuers by management reflected the underlying property records; and• Assessed the adequacy of the disclosures in the consolidated financial statements.

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

31 December 2019

Key Audit Matters (Continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matters
Assessment of net realisable value of trading properties and trading properties under development	
Refer notes 3(e) (ii), 9 and 12 to the consolidated financial statements.	
<p>The Group has significant trading properties and trading properties held under development as at 31 December 2019.</p> <p>Trading properties and trading properties under development are stated at the lower of their costs and their net realisable values.</p> <p>The Group uses independent real estate valuers ("the valuers") to assess the fair value of the Group's portfolio of trading properties and trading properties under development.</p> <p>Further, management also assesses the net realisable value of a portion of properties based upon future sales plan.</p> <p>The assessment of the fair value of these properties involves significant judgment in determining the appropriate methodology and in estimating the underlying assumptions. It is also dependent upon the management's estimation of future selling prices of these properties.</p>	<p>We have performed following procedures:</p> <ul style="list-style-type: none">• Evaluated the external valuers' qualifications, experience and expertise in the trading properties and trading properties under development being valued and considered their objectivity, independence and scope of work;• With the assistance of our internal valuation specialist, we considered the reasonableness of valuation methodologies and assumptions used in the valuations such as sales comparable data and recent market transactions;• Carried out procedures to test, on sample basis, whether property specific data supplied to the external valuers by management reflected the underlying property records;• Assessed the reasonableness of the Group's estimated selling prices, by comparing them to, recently transacted prices and prices of comparable properties in the vicinity of the projects; and• Tested, on sample basis, the net realisable value by comparing cost to recent selling prices and assessing the reasonableness of any resulting write-down.

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

31 December 2019

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 14 February 2019.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Board of Directors' report, at the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of the auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 the other information obtained up to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

31 December 2019

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation 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.

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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

31 December 2019

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

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

We communicate with 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 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

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

31 December 2019

Report on Other Legal and Regulatory Requirements

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

- i) We have obtained all the information and explanations 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 Board of Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) As disclosed in note 35 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2019;
- vi) Note 28 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019.

KPMG Lower Gulf Limited



Emilio Pera
Registration No.: 1146
Ras al Khaimah, United Arab Emirates

Date: February 15, 2020

RAK PROPERTIES P.J.S.C. AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Notes	2019 AED '000	2018 AED '000
Revenue	22	192,423	101,391
Cost of Sales	23	(133,815)	(55,570)
Gross profit		58,608	45,821
Other Income	25	27,701	15,589
General and administrative expenses	24	(44,371)	(53,565)
Net change in fair value of investment properties	7	55,331	168,392
Write down of trading properties under development to net realizable value	9	(1,519)	(3,150)
Operating profit		95,750	173,087
Impairment for trade, contract and other receivables	13	(932)	(30,466)
Loss on sale of investments		-	(3,170)
Net change in fair value of investments at FVTPL	10	440	1,591
Dividend income		1,099	3,626
Finance income	26	10,581	9,233
Finance expenses	26	(6,238)	(3,377)
Profit for the year		100,700	150,524
Basic and diluted earnings per share for the year (AED)	27	0.05	0.08

The notes on pages 16 to 57 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 - 10.

RAK PROPERTIES P.J.S.C. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 AED '000	2018 AED '000
Profit for the year	100,700	150,524
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity investments at fair value through other comprehensive income	(5,191)	(117,520)
Other comprehensive loss for the year	(5,191)	(117,520)
Total comprehensive income for the year	95,509	33,004

The notes on pages 16 to 57 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 – 10.

RAK PROPERTIES P.J.S.C. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 AED '000	2018 AED '000
Assets			
Non-current Assets			
Property and equipment	6	824,824	699,714
Investment properties	7	2,636,996	2,581,902
Investment properties under development	8	312,573	290,096
Trading properties under development	9	572,575	543,435
Investments	10	108,164	125,984
Advances to suppliers and contractors	11	102,191	91,537
Trade, contract and other receivables	13	162,272	162,036
		4,719,595	4,494,704
Current assets			
Trading properties under development	9	234,371	153,397
Inventories		758	609
Investments	10	15,661	15,221
Advances to suppliers and contractors	11	33,985	47,119
Trading properties	12	42,380	100,565
Trade, contract and other receivables	13	181,819	128,687
Cash in hand and at bank	14	449,570	400,774
		958,544	846,372
Total Assets		5,678,139	5,341,076
Equity and Liabilities			
Capital and reserves			
Share capital	15	2,000,000	2,000,000
Statutory reserve	16	1,000,000	1,000,000
General reserve	17	601,948	591,878
Fair value reserve		(216,103)	(448,441)
Retained earnings		519,121	670,020
Total Equity		3,904,966	3,813,457
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits	18	3,650	3,172
Borrowings	20	376,769	91,859
Deferred government grants	7	582,973	604,993
Contract liabilities	19	28,402	22,957
		991,794	722,981
Current liabilities			
Contract liabilities	19	4,318	4,168
Borrowings	20	498,920	553,169
Trade and other payables	21	278,141	247,301
		781,379	804,638
Total liabilities		1,773,173	1,527,619
Total equity and liabilities		5,678,139	5,341,076

The notes on pages 16 to 57 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors, and authorized for issue on 15 February 2020 and signed on their behalf by:



Mohammad Sultan Al Qadi
Managing Director



Mohammad Hasan Omran
Chairman

The independent auditors' report is set out on pages 3 - 10.

RAK PROPERTIES P.J.S.C. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000
Operating activities			
Profit for the year		100,700	150,524
Adjustments for:			
Depreciation	6	15,419	14,336
Finance income	26	(10,581)	(9,233)
Finance cost	26	6,238	3,377
Dividend income		(1,099)	(3,626)
Net change in fair value of investments at FVTPL		(440)	(1,591)
Loss on sale of investments		-	3,170
Net change in fair value of investment properties	7	(55,331)	(168,392)
Write down of trading properties under development to net realisable value	9	1,519	3,150
Impairment of trade, contract and other receivables	13	932	30,466
Provision for employees' end of service benefits	18	605	(1,553)
Government grant	25	(22,020)	-
		35,942	20,628
Changes in:			
- Trading properties		58,422	6,205
- Trading properties under development		(102,588)	(65,666)
- Trade, contract and other receivables		(53,938)	91,846
- Advances to suppliers and contractors		2,480	(51,227)
- Inventories		(149)	162
- Trade and other payables		31,410	17,968
- Contract liabilities		5,595	(2,323)
- Employees' end of service benefits paid	18	(127)	(63)
Net cash (used in) / generated from operating activities		(22,953)	17,530
Investing activities			
Additions to property and equipment	6	(140,529)	(129,540)
Interest received		10,219	8,063
Dividend received		1,099	3,626
Additions to investments		-	(323)
Proceeds from disposal of investments		12,629	18,533
Additions to investment properties under development	8	(22,477)	(17,115)
Increase in term deposits		(50,000)	(50,000)
Net cash used in investing activities		(189,059)	(166,756)
Financing activities			
Dividend paid		(285)	(123,064)
Borrowings availed		271,942	196,559
Borrowings repaid		(26,650)	-
Change in bank overdraft		(14,631)	95,889
Interest paid		(15,283)	(13,678)
Board of directors' remuneration paid		(4,000)	(5,263)
Net cash generated from financing activities		211,093	150,443
Net (decrease) / increase in cash and cash equivalents		(919)	1,217
Cash and cash equivalents at the beginning of the year	14	3,466	2,249
Cash and cash equivalents at the end of the year	14	2,547	3,466

The notes on pages 16 to 57 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 3 - 10.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital	Statutory reserve	General reserve	Fair value reserve	Retained Earning	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'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 (refer note 3 (c)(i))	-	-	-	(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
Total Comprehensive Income for the Year						
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
Transactions Recorded Directly in Equity						
Transfer to general reserves	-	-	15,052	-	(15,052)	-
Board of Directors' remuneration (refer note 30 (ii))	-	-	-	-	(5,263)	(5,263)
Dividend declared (refer note 30 (i))	-	-	-	-	(120,000)	(120,000)
Balance at 31 December 2018	2,000,000	1,000,000	591,878	(448,441)	670,020	3,813,457
Balance at 1 January 2019	2,000,000	1,000,000	591,878	(448,441)	670,020	3,813,457
Total Comprehensive Income for the Year						
Profit for the year	-	-	-	-	100,700	100,700
Other comprehensive loss for the year	-	-	-	(5,191)	-	(5,191)
Total Comprehensive Income for the Year	-	-	-	(5,191)	100,700	95,509
Transactions Recorded Directly in Equity						
Realised loss on equity investments measured at FVOCI transferred to retained earnings	-	-	-	237,529	(237,529)	-
Transfer to general reserve	-	-	10,070	-	(10,070)	-
Board of Directors' remuneration (refer note 30 (ii))	-	-	-	-	(4,000)	(4,000)
Balance at 31 December 2019	2,000,000	1,000,000	601,948	(216,103)	519,121	3,904,966

The notes on pages 16 to 57 are an integral part of these consolidated financial statements.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Reporting entity

RAK Properties PJSC (“the Company”) is a public joint stock company established under Emiree Decree No. 5 issued by the Ruler of the Emirate of Ras Al Khaimah on 16 February 2005 and commenced its operations on 2 June 2005. The Company is listed in the Abu Dhabi Securities Exchange, UAE. The registered office of the Company is P.O. Box 31113, Ras Al Khaimah, UAE.

The consolidated financial statements as at and for the year ended 31 December 2019 comprises the Company and its subsidiaries (collectively referred to as “the Group”).

Details of the Company’s subsidiaries as at 31 December 2019 are as follows:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	
		2019	2018
RAK Properties International Limited	United Arab Emirates	100%	100%
RAK Properties Tanzania Limited	Tanzania	100%	100%
Dolphin Marina Limited	Tanzania	100%	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 Group are investment in and development of properties, property management and related services.

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Details of Group’s accounting policies are included in notes 3 and 4.

This is the first set of Group’s annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in note 4.

Except for change in accounting policy for leases, the Group has consistently applied the accounting policies to all the years presented, unless otherwise stated.

The effect of initially applying this standard is not material to the Group’s consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and comply with the relevant Articles of the Company and the UAE Federal Law No. (2) of 2015.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost convention basis except for investment properties, investment properties under development and certain financial instruments, which are stated at fair values.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

2. Basis of preparation (continued)

(c) Functional and presentational currency

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

(d) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values, and management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Notes 7 and 8 – Investment properties and Investment properties under development;

Note 31 – Fair value measurements.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

2. Basis of preparation (continued)

(e) Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties at 31 December 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is discussed below.

(i) Valuation of investment properties and investment properties under development

The Group follows the fair value model under IAS 40 where investment property owned for the purpose of generating rental income or capital appreciation, or both, are fair valued based on valuation carried out by an independent registered valuer.

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. Refer note 7 and 8 for estimates applied and amount involved.

(ii) Write-down of trading properties and trading properties under development

The Group's management reviews the trading properties and trading properties under development to assess write-down, if there is an indication of write-down. The Group uses valuation carried out by an independent external valuer and market sales data to ascertain the recoverable amount.

In determining whether write-down of inventories to net realisable value should be recognised in the consolidated statement of profit or loss, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties, which remain unsold at the reporting date. If the current selling prices are lower than the anticipated costs to complete, a provision is recognised for the identified loss event or condition to reduce the cost of trading properties and trading properties under development to its net realizable value.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

2. Basis of preparation (continued)

(e) Key sources of estimation uncertainty (continued)

(iii) Valuation of unquoted equity investments

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

- Recent arm's 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. Refer note 31 for estimates applied and amount involved.

(iv) IFRS 15 Revenue from contracts with customers

The application of revenue recognition policy in accordance with IFRS 15 requires management to make the following estimates:

Determination of transaction prices

The Group is required to determine the transaction prices in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

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 recognised over time. The Group considers that the use of 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 the revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

Cost to complete the projects

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

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

2. Basis of preparation (continued)

(f) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, 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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the asset that is subject of the contract is transferred to the customer. In case of contracts to sell real estate assets, this is generally when the unit has been handed over to the customer.

3. Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements comprise the consolidated statement of financial position and the consolidated results of operations of the Company and its subsidiaries (collectively referred to as "the Group") on a line-by-line basis. The principal subsidiaries are disclosed in note 1 to the consolidated financial statements.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

(b) Foreign currency

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

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

Foreign operations

The results and financial position of all the foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

(c) Financial instruments

(i) Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") - debt investment; fair value through other comprehensive income ("FVOCI") - equity investment; or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset within the scope of the standard, are never separated. Instead, the hybrid financial instrument as a whole is assessed for its classification.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Financial liabilities at amortised costs consist of borrowings and trade and other payables.

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

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognized in profit or loss.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Classification and measurement of financial assets and financial liabilities (continued)

Equity instruments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The financial assets at amortised cost consist of trade, contract and other receivables and cash in hand and at bank.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described below.

	31 December 2017	Impact of re-measurement under IFRS 9	1 January 2018
	AED'000	AED'000	AED'000
	(As previously reported)		(Restated)
Impairment loss on:			
Trade, contract and other receivables	(3,970)	(17,651)	(21,621)

Further, 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 designated these investments at the date of initial application as measured at FVOCI. On transition to IFRS 9, an allowance for impairment recorded on available for sale assets of AED 330,332 thousand was recognized as an increase in opening retained earnings and a decrease in cumulative changes in fair value reserve as at 1 January 2018.

(iii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. This requires considerable judgment about how the changes in economic factors affect ECL, which will be determined on a probability-weighted basis. This model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

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

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

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

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

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

Measurement of ECL

The Group employs statistical models for ECL calculations.

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

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

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(d) Segment reporting

Operating segments are monitored and reported by management in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions on management recommendations and periodically review the performance of the operating segments.

(e) Revenue recognition

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

The Group recognises revenue based on a five-step model as set out in IFRS 15:

Step 1	Identify the contract(s) 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 every contract that must be met.
Step 2	Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3	Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or service 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 amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5	Recognise revenue when (or as) the entity satisfies a performance obligation.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(e) Revenue recognition (continued)

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

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

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

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. A contract asset becomes trade receivable when the Group's right to the consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

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

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for sale of properties provide customers with a right to receive discount in the next purchase within a specified period. Such right to the customers give rise to variable consideration.

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

For sale of property, the Group is required to incorporate the element of significant financing component in the trade and contract receivables recorded by the Group as the transaction implicitly gives a financing facility to the customer to pay the amount in future. There is not considered to be a significant financing component in sale of property under development with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

Forfeiture income

Forfeiture income is recognised in the consolidated income statement when, in the case of properties sold and not yet recognised as revenue, a customer does not fulfil the contractual payment terms. This is deemed to take place when, despite rigorous follow-up with the defaulted customer, the customer continues to default on the contractual terms.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(e) Revenue recognition (continued)

Service revenue

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

Leasing income

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

(f) Finance income

Finance income mainly comprises interest income on fixed deposits. Interest income is recognised in the consolidated profit or loss as it accrues, using the effective interest rate method.

(g) Dividend income

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

(h) 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.

(i) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

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

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

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(i) Property and equipment (continued)

The estimated useful lives of property and equipment for current and comparative periods are as follows:

	Percentage
Buildings	4 - 5
Furniture and fixtures	25
Computer and office equipment	25
Motor vehicles	25

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

(j) Investment properties and investment properties under development

Recognition

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

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are accounted for using fair value model under International Accounting Standard No. 40 "Investment Property". Any gain or loss arising from a change in fair value is recognised in the profit or loss.

Where the fair value of investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Transfer from trading properties to investment properties

Certain trading properties are transferred to investment properties when there is a change in the use of the properties. Trading properties are transferred to investment properties at fair value on the date of transfer and gain arising on transfer is recognised in profit or loss. Subsequent to initial measurement, such properties are valued at fair value in accordance with the measurement policy for investment properties. Any gain arising on this re-measurement is recognised in profit or loss on the specific property.

Transfer from investment properties to trading properties

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

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(j) Investment properties (continued)

Transfer from investment properties to owner-occupied properties

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

Transfer from owner-occupied property to investment properties

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Sale of investment properties

Certain investment properties are sold in the ordinary course of business. No revenue and direct / operating costs are recognised for sale of investment properties. Any gain or loss on disposal or sale of investment properties (calculated as the difference between the net proceeds from the disposal and carrying amount) is recognised in the consolidated income statement.

(k) Trading properties and trading properties under development

Land and buildings identified as trading properties, including buildings under construction, are classified as such and are stated at the lower of cost and estimated net realisable value. The cost of work-in-progress comprises construction costs and other related direct/ operating costs. Net realisable value is the estimated selling price in the ordinary course of the business, less cost of completion and selling expenses.

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

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

(l) Impairment of non-financial assets

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

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

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(l) Impairment of non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

(m) Government grants

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

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

(n) Borrowings costs

General and specific 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 period in which they are incurred.

(o) 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).

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

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

3. Significant accounting policies (continued)

(p) Employee benefits

Defined contribution plan

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

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

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

Provision for employees’ end of service benefits

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

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

Short-term employee benefits

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

(q) Directors’ remuneration

Pursuant to Article 169 of the Federal Law No. (2) of 2015 and in accordance with article of association of the Company, the Directors shall be entitled for remuneration, which shall not exceed 10% of the net profit after deducting depreciation and the reserves.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

4. Changes in accounting policy

(i) IFRS 16 Leases

Policy applicable from 1 January 2019

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The details of change in accounting policies are disclosed below.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

4. Changes in accounting policy (continued)

(i) IFRS 16 Leases (continued)

Policy applicable from 1 January 2019 (continued)

a.) As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

b.) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers, substantially, all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Based on management's assessment, the application of IFRS 16 - Leases does not have a material impact on the consolidated financial statements as a lessor or as a lessee and hence, the Group did not make any adjustments in this regard.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

4. Changes in accounting policy (continued)

(ii) IAS 17 Leases

Policy applicable before 1 January 2019

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) As a lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the consolidated profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

b) As a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iii) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

5. Financial risk management

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

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

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

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

(i) Credit risk

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

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

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

An analysis of the Group's credit risk exposure for trade, contract and other receivables has been disclosed in note 32.1.

(ii) Liquidity risk

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. This is further explained in note 32.2.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

5. Financial risk management (continued)

(iii) Market risk

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

a. Currency risk

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

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

b. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk is subject to changes in EIBOR rates (refer note 32.4).

c. Equity price risk

The Group is exposed to equity securities price risk through investments held by the Group and classified as equity instrument at fair value (refer note 32.3).

(iv) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders. No changes were made in the objectives, policies or processes during the year ended 31 December 2019.

The Group's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with capital. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions, its business model and risk profile. The Group strives to maintain the net worth above AED 3,500,000 thousand and leverage ratio below 1.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

6. 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							
1 January 2018	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 8)	-	6,739	-	-	-	-	6,739
	-----	-----	-----	-----	-----	-----	-----
31 December 2018	280,734	271,965	4,546	8,209	1,074	217,511	784,039
	-----	-----	-----	-----	-----	-----	-----
1 January 2019	280,734	271,965	4,546	8,209	1,074	217,511	784,039
Additions	-	1,872	13	592	126	137,926	140,529
Disposals	-	-	(103)	-	-	-	(103)
	-----	-----	-----	-----	-----	-----	-----
31 December 2019	280,734	273,837	4,456	8,801	1,200	355,437	924,465
	-----	-----	-----	-----	-----	-----	-----
Depreciation							
1 January 2018	-	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
	-----	-----	-----	-----	-----	-----	-----
1 January 2019	-	73,093	4,350	5,937	945	-	84,325
Charge for the year	-	14,297	75	967	80	-	15,419
Disposals	-	-	(103)	-	-	-	(103)
	-----	-----	-----	-----	-----	-----	-----
31 December 2019	-	87,390	4,322	6,904	1,025	-	99,641
	-----	-----	-----	-----	-----	-----	-----
Net book value							
31 December 2019	280,734	186,447	134	1,897	175	355,437	824,824
31 December 2018	280,734	198,872	196	2,272	129	217,511	699,714

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

6. Property and equipment (continued)

The depreciation charge has been allocated as follows:

	2019 AED '000	2018 AED '000
Cost of sales	3,069	2,753
General and administrative expenses	12,350	11,583
	-----	-----
At 31 December	15,419	14,336
	=====	=====

At 31 December 2019 the cost of fully depreciated property and equipment that was still in use amounted to AED 10,000 thousand (2018: AED 9,210 thousand).

Capital work in progress includes borrowing cost capitalised during the year amounting to AED 18,043 thousand (2018: AED 12,550 thousand), calculated using an average capitalization rate of 6.36%.

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 start the operation of these hotels in 2021.

The management has reassessed the use of certain investment properties under development and trading properties under development. Accordingly, properties with a cost of AED Nil (2018: AED 6,739 thousand) have been transferred to property and equipment as they are now owner-occupied.

Certain items of property and equipment are mortgaged against bank borrowings (refer note 20).

7. Investment properties

	2019 AED '000	2018 AED '000
At 1 January	2,581,902	2,023,147
Change in fair value - (net)	55,331	168,392
Change in fair value - government grant	-	(9,122)
Transfer from advances to suppliers and contractors	-	6,286
Transferred (to) / from trading properties (note 12)	(237)	393,199
	-----	-----
At 31 December	2,636,996	2,581,902
	=====	=====

Investment property comprises land and a number of residential and commercial properties that are leased to third parties. The lease period ranges from 1 to 10 years.

Rental income recognised by the Group during 2019 was AED 29,385 thousand (2018: AED 31,658 thousand) and was included in 'other revenue' (note 22).

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

7. Investment properties (continued)

Fair value hierarchy

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio each year.

The fair value measurement for all of the investment properties has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique underlying management's estimation of fair value	Significant unobservable inputs
The management has used Sales Comparable Method to determine the fair value of investment properties. This method involves analysing sales and asking prices of similar units and comparing these to the subject property. Comparative analysis isolates similarities and differences in the property rights appraised, market conditions, size, location and physical features.	<p>Prices of comparable properties and their characteristics</p> <p>Prices of lands range from AED 4 per square foot to AED 1,275 per square foot.</p> <p>Prices of commercial properties range from AED 300 per square foot to AED 1,650 per square foot.</p>

Investment properties are located in United Arab Emirates.

The Government of Ras Al Khaimah has granted certain plots of land with an aggregate area of 66,977 thousand square feet on the condition that these lands undergo development.

The Group has accounted for the portion of land granted as deferred government grant. This deferred government grant will be released on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities. During the current year, management has recognised AED 22,020 million (2018: AED Nil) to the consolidated income statement.

Investment properties have been valued as at 31 December 2019 by an independent valuer. The Board of Directors have reviewed the valuer's report and accordingly, considered increase in fair value of AED 55,331 thousand (2018: AED 168,392 thousand) which was recognised in the consolidated income statement.

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 Nil (2018: AED 393,199 thousand) will now generate rental revenue for the Group. Accordingly, the value of such properties has been transferred to investment properties.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

8. Investment properties under development

	2019 AED '000	2018 AED '000
At 1 January	290,096	279,720
Cost incurred	22,477	17,115
Transferred to property and equipment (note 6)	-	(6,739)
	-----	-----
At 31 December	312,573	290,096
	=====	=====

Cost incurred include borrowing cost capitalised amounted to AED 923 thousand (2018: AED Nil), calculated using an average capitalisation rate of 4%.

Investment properties under development are located in United Arab Emirates.

Fair value hierarchy

The fair value of investment properties under development was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment properties under development portfolio each year.

The fair value measurement for all of the investment properties under development has been categorised as Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique underlying management's estimation of fair value	Significant unobservable inputs
The management has used Sales Comparable Method to determine the fair value of investment properties. This method involves analysing sales and asking prices of similar units and comparing these to the subject property. Comparative analysis isolates similarities and differences in the property rights appraised, market conditions, size, location and physical features.	Prices of comparable properties and their characteristics. Prices range from AED 135 per square foot to AED 197 per square foot.

The Board of Directors have reviewed the 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 2019.

9. Trading properties under development

	2019 AED '000	2018 AED '000
At 1 January	696,832	624,016
Cost incurred	155,828	90,310
Write down to net realisable value	(1,519)	(3,150)
Cost of properties sold	(44,195)	(14,344)
	-----	-----
At 31 December	806,946	696,832
	=====	=====

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

9. Trading properties under development (continued)

	2019 AED '000	2018 AED '000
Inside UAE	790,589	680,306
Outside UAE	16,357	16,526
	-----	-----
	806,946	696,832
Less: classified as current assets	(234,371)	(153,397)
	-----	-----
	572,575	543,435
	=====	=====

The fair value (net realisable value) of trading properties under development was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value (net realisable value) of the Group's trading properties under development portfolio each year.

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 1,519 thousand (2018: AED 3,150 thousand).

Trading properties under development include lands held for future development and use amounting to AED 457,000 thousand (2018: AED 463,000 thousand), management is currently evaluating feasibility of the projects and considering alternative viable profitable options as well as various offers from potential buyers.

In the current year, the Company has recognised an amount of AED 44,195 thousand (2018: AED 14,344 thousand) in consolidated income statement under "costs of revenue" against revenue recognised of AED 54,100 thousand (2018: AED 16,300 thousand) (note 22 and 23).

10. Investments

	2019 AED'000	2018 AED'000
Non-current investments		
Fair value through other comprehensive income		
Private equity investments	59,367	70,644
Real estate fund	48,797	55,340
	-----	-----
	108,164	125,984
	=====	=====
Current investments		
Fair value through profit or loss	15,661	15,221
	=====	=====
The details of the Group's investments are as follows:		
Non-current investments at fair value through other comprehensive income		
Investments within UAE		
Unquoted private equity investments	6,545	15,560
	=====	=====

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

10. Investments (continued)

	2019 AED'000	2018 AED'000
Investments outside UAE		
Unquoted private equity investments	24,546	26,082
Unquoted funds	48,797	55,340
Quoted securities	28,276	29,002
	-----	-----
	101,619	110,424
	=====	=====
Total non-current investments	108,164	125,984
	=====	=====
 Current investments at fair value through profit or loss		
Quoted equity securities inside UAE	4,690	4,250
Unquoted investments outside UAE	10,971	10,971
	-----	-----
	15,661	15,221
	=====	=====

The details of valuation techniques and assumptions applied for the measurement of fair value of financial instruments are mentioned in note 31 of the consolidated financial statement.

11. Advances to suppliers and contractors

	2019 AED '000	2018 AED '000
Advances to suppliers and contractors	136,176	138,656
	=====	=====
Classified as:		
Non-current assets	102,191	91,537
Current assets	33,985	47,119
	-----	-----
	136,176	138,656
	=====	=====

Non-current portion of the advances include AED 63,830 thousand (2018: AED 73,310 thousand) paid for construction of hotel properties (note 6).

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

12. Trading properties

	2019 AED '000	2018 AED '000
At 1 January	100,565	499,969
Transferred from / (to) investment properties	237	(393,199)
Cost of properties sold	(58,422)	(6,205)
	-----	-----
At 31 December	42,380	100,565
	=====	=====

All trading properties are located in United Arab Emirates.

The fair value (net realisable value) of trading properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value (net realisable value) of the Group's trading properties portfolio each year.

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 and accordingly no charge to profit or loss for the year is required (2018: Nil).

13. Trade, contract and other receivables

	2019 AED'000	2018 AED'000
Trade receivables	267,979	258,734
Contract assets	52,507	9,605
Other receivables	28,256	69,769
VAT refundable	4,570	4,702
	-----	-----
	353,312	342,810
Less: Allowance for doubtful receivables	(9,221)	(52,087)
	-----	-----
	344,091	290,723
Less: non-current portion	(162,272)	(162,036)
	-----	-----
	181,819	128,687
	=====	=====

Trade receivables include post-dated cheques amounting to AED 225,984 thousand (2018: AED 235,818 thousand).

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

13. Trade, contract and other receivables (continued)

Contract assets

	2019 AED '000	2018 AED '000
Contract assets included in trade, contract and other receivables	52,507 =====	9,605 =====
Total contract cost incurred plus recognised profit	73,588	19,461
Less: total progress billing to date	(21,081) -----	(9,856) -----
	52,507 =====	9,605 =====

Movements in allowance for doubtful debts:

	2019 AED'000	2018 AED '000
At 1 January	52,087	3,970
Initial application of IFRS 9	-	17,651 -----
	52,087	21,621
Provision for impairment allowance for the year	932	30,466
Write-off for the year	(43,798) -----	- -----
At 31 December	9,221 =====	52,087 =====

14. Cash in hand and at bank

	2019 AED'000	2018 AED'000
Cash in hand	9	7
Bank balances:		
Current accounts	1,201	2,040
Call accounts	1,337	1,419
Current accounts - unclaimed dividends	47,023	47,308
Term deposits	400,000 -----	350,000 -----
Balance at the end of the year	449,570 =====	400,774 =====

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

14. Cash in hand and at bank (continued)

Cash and cash equivalent consists of:

	2019 AED'000	2018 AED'000
Cash in hand	9	7
Bank balances:		
Current accounts	1,201	2,040
Call accounts	1,337	1,419
	-----	-----
Balance at the end of the year	2,547	3,466
	=====	=====

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

Bank balances include term deposits amounting to AED 400,000 thousand (2018: AED 350,000 thousand) with a maturity period of more than three months, which are not included in cash and cash equivalents. The effective average interest rate on deposits is 2.25% to 3% per annum (2018: 2.1% to 3% per annum). Term deposits amounting to AED 400,000 thousand are under lien against bank borrowings (refer note 20).

Bank balances and cash are maintained in United Arab Emirates.

15. Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and paid up 2,000,000,000 shares of AED 1 each	2,000,000	2,000,000
	=====	=====

16. 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 during the current year and for the year ended 31 December 2018 as the balance in the reserve has reached 50% of Company's paid up share capital.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

17. 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.

18. Provision for employees' end of service benefits

	2019 AED '000	2018 AED '000
At 1 January	3,172	4,788
Charge for the year	605	714
Reversal during the year	-	(2,267)
Payments made during the year	(127)	(63)
	-----	-----
At 31 December	3,650	3,172
	=====	=====

19. Contract liabilities

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

	2019 AED '000	2018 AED '000
Contract liabilities	32,720	27,125
	=====	=====
Classified as:		
Current	4,318	4,168
Non-current	28,402	22,957
	-----	-----
At 31 December	32,720	27,125
	=====	=====

During the year, the Group had forfeited contract liabilities amounting to AED 531 thousand (2018: AED 8,943 thousand) for not fulfilling the payment obligation by certain customers after obtaining necessary legal advice.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

20. Borrowings

	2019 AED'000	2018 AED'000
Term loan	466,419	221,127
Bank overdraft	409,270	417,615
Bills discounting	-	6,286
Total borrowings	875,689	645,028
Less: current portion	(498,920)	(553,169)
Non-current portion	376,769	91,859

The Group has obtained overdraft facility of AED 540,000 thousand (2018: 450,000 thousand) from commercial banks. Interest on overdraft is computed at a fixed rate + 3 months EIBOR. The balance outstanding as at 31 December 2019 amounted to AED 409,270 thousand (2018: AED 417,615 thousand).

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 400,000 thousand held with the bank in the name of the borrower (refer note 14);
- To route funds 1.5 times of the net clean limit utilized under the overdraft. (On 31 December 2019, the net clean limit utilized was AED 8,000 thousand).

The Group has obtained the following loans:

- Term loan of AED 358,000 thousand from a commercial bank to finance the construction of the hotel project. This facility is repayable in 28 quarterly step up instalments commencing 3 years 3 months from the date of first drawdown and carries an interest rate of fixed margin over 3 months Emirates Interbank Offer Rate (EIBOR). The balance outstanding at 31 December 2019 amounted to AED 108,168 thousand (2018: AED 49,250 thousand). Available drawdown limit on 31 December 2019 amounted to AED 249,832 thousand.
- Term loan of AED 116,000 thousand from a commercial bank for the construction of a residential property. This facility is repayable in 6 half yearly instalments commencing 2 years 6 months from the date of first drawdown and carries an interest rate of fixed margin over 1 month EIBOR. The balance outstanding at 31 December 2019 AED 82,053 thousand (2018: AED 35,960 thousand). Available drawdown limit of 31 December 2019 amounted to AED 33,947 thousand.
- Term loan facility of AED 250,000 thousand from a commercial bank to finance the construction of the hotel project. The facility is repayable in 30 equal quarterly instalments commencing 2 years 9 months from the date of first drawdown and carries an interest rate of fixed margin over 3 months EIBOR. The balance outstanding at 31 December 2019 amounted to AED 61,881 thousand (2018: AED 52,720 thousand). Available draw down limit on 31 December 2019 amounted to AED 188,119 thousand.
- Term loan from a commercial bank to finance the construction of the specified projects. The total facility is AED 300,000 thousand or 80% loan to value against Securities whichever is lower. This facility is repayable in 32 quarterly step up instalments with 30% balloon payment at maturity, commencing 90 days after the end of last drawdown or 9th quarter from the first drawdown date, whichever is earlier and ending on the final maturity date. The facility carries an interest rate of fixed margin over 3 months EIBOR. The drawdown balance outstanding at 31 December 2019 amounted to AED 121,753 thousand (2018: AED 69,900 thousand). Available drawdown limit on 31 December 2019 amounted to AED 178,247 thousand.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

20. Borrowings (continued)

- Term loan of AED 67,000 thousand from a commercial bank for the construction of a residential property. This facility is repayable in 32 equal quarterly instalments commencing 2 years 3 months from the date of first drawdown and carries interest rate of fixed margin over 3 months EIBOR. The balance outstanding at 31 December 2019 amounted to AED 55,914 thousand (2018: AED Nil). Available drawdown limit on 31 December 2019 amounted to AED 11,086.
- Term loan of AED 13,300 thousand from a commercial bank. This facility is repayable in 8 quarterly instalments commencing 3 months from the date of drawdown and carries an interest rate of fixed margin over 3 months EIBOR. The balance outstanding at 31 December 2019 amounted to AED 6,650 thousand (2018: AED 13,300 thousand). Available drawdown limit on 31 December 2019 amounted to AED Nil.
- Medium term loan of AED 50,000 thousand 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 fixed margin over 3 months EIBOR. The balance outstanding at 31 December 2019 amounted to AED 30,000 thousand (2018: AED Nil). Available drawdown limit on 31 December 2019 amounted to AED 20,000 thousand.

The bank borrowing agreements ("Agreements") contain certain restrictive covenants including maintaining Debt to EBITDA ratio. The Group did not comply with certain covenants mentioned in those agreements during the previous year and accordingly the non-current portion of the borrowings was classified as current liabilities as at 31 December 2018 as the Group did not have unconditional rights to defer the loan obligation. In 2019, the Group obtained waiver letter from the lenders for compliance with these covenants and hence no reclassification was made from non-current to current.

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 revenues from the hotel projects financed by the banks.
 - Assignment of revenues from sale of apartments and rental revenues from the apartments financed by the bank.
 - Pledge of project account opened with the bank for receiving the project receipts from buyers.

21. Trade and other payables

	2019 AED'000	2018 AED'000
Trade payables	65,187	22,025
Project accruals	69,092	85,141
Unclaimed dividends	47,023	47,308
Other payables and accruals	96,839	92,827
	-----	-----
	278,141	247,301
	=====	=====

22. Revenue

The Group generates revenue from contracts with customers for sale of properties and facility management services, except for amounts related to leasing income presented as 'other revenue'.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

22. Revenue (continued)

	2019 AED'000	2018 AED'000
Revenue from contracts with customers		
Sale of properties	140,032	37,031
Facility management fee	22,068	23,200
Forfeiture income	531	8,943
Others	407	559
	-----	-----
	163,038	69,733
Other revenue		
Leasing income	29,385	31,658
	-----	-----
Total revenue	192,423	101,391
	=====	=====
Timing of revenue recognition		
Recognised at a point in time	86,843	30,231
Recognised over time	76,195	39,502
	-----	-----
Revenue from contracts with customers	163,038	69,733
Other revenue	29,385	31,658
	-----	-----
Total revenue	192,423	101,391

23. Cost of Sales

	2019 AED'000	2018 AED'000
Cost of sale of properties	103,840	20,736
Facility management expenses	25,238	29,100
Others	4,737	5,734
	-----	-----
	133,815	55,570
	=====	=====

Facility management expenses include depreciation expense amounting to AED 3,069 thousand (2018: AED 2,753 thousand).

24. General and administrative expenses

	2019 AED '000	2018 AED '000
Staff costs	19,403	22,790
Depreciation	12,350	11,583
Advertisement and marketing expenses	7,996	11,427
Other expenses	4,622	7,765
	-----	-----
	44,371	53,565
	=====	=====

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

25. Other income

	2019 AED '000	2018 AED '000
Government grant	22,020	-
Reversal of accruals	2,379	13,913
Others	3,302	1,676
	-----	-----
	27,701	15,589
	=====	=====

26. Finance income and expenses

	2019 AED '000	2018 AED '000
Finance income	10,581	9,233
	=====	=====
Finance expenses		
Interest on borrowings	5,065	2,109
Bank charges	1,173	1,268
	-----	-----
	6,238	3,377
	=====	=====

27. Earnings per share

	2019	2018
Profit for the year (AED'000)	100,700	150,524
Number of shares (in'000)	2,000,000	2,000,000
Basic and diluted earnings per share (AED)	0.05	0.08

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

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

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

	2019 AED'000	2018 AED'000
Salaries and benefits	4,966	8,957
End of service benefits	1,191	322
Board of Directors' remuneration	4,000	5,263
	-----	-----
	10,157	14,542
	=====	=====
Purchase of services	164,291	57,545
	=====	=====

29. Contingent liabilities and capital commitments

Commitments relating to the property development are as follows:

	2019 AED'000	2018 AED'000
Approved and contracted	734,984	804,800

30. Dividends

(i) At the Annual General Meeting (AGM) held on 17 March 2018, the shareholders approved a cash dividend of 6% for the year ended 31 December, 2017.

(ii) At the Annual General Meeting (AGM) held on 24 March 2019, the shareholders approved Board of Directors' remuneration amounting to AED 4,000 thousand for the year ended 31 December, 2018 (31 December 2017: AED 5,263 thousand).

(iii) The Board of Directors propose that a dividend of AED 60,000 thousand, AED 3 fils per share (2018: Nil) will be paid to the Shareholders for 2019. The Directors also proposed the Board of Directors' remuneration of AED 4,000 thousand (2018: AED 4,000 thousand). These 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.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

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

Financial assets

Type	Valuation techniques and key inputs	Significant unobservable inputs	Inter-relationship of unobservable inputs to fair value
Unquoted private equity investments and funds at FVOCI	Net assets/ adjusted net asset value valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/ historical financial information. Wherever information is available.	Net assets value/ Market approach	Higher the net assets value of the investees, higher the fair value.
Unquoted investments at FVTPL	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/ historical financial information. Market approach is applied wherever information is available.	Net assets value	Higher the net assets value of the investees, higher the fair value.

Fair value measurements recognised in the consolidated statement of financial position

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

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

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

31. Fair value measurements (continued)

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

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
2019				
Fair value through other comprehensive income				
Unquoted equities and funds	-	-	79,888	79,888
Quoted equity securities	28,276	-	-	28,276
Financial assets carried at FVTPL	4,690	-	10,971	15,661
Investment properties	-	-	2,636,996	2,636,996
Investment properties under development	-	-	312,573	312,573
	32,966	-	3,040,428	3,073,394
2018				
Fair value through other comprehensive income				
Unquoted equities and funds	-	-	96,982	96,982
Quoted equity securities	29,002	-	-	29,002
Financial assets carried at FVTPL	4,250	-	10,971	15,221
Investment properties	-	-	2,581,902	2,581,902
Investment properties under development	-	-	290,096	290,096
	33,252	-	2,979,951	3,013,203

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

32. Financial instruments

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.

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

32. Financial instruments (continued)

	At amortised cost	Fair value through profit or loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Total
Financial assets	AED'000	AED'000	AED'000	AED'000
31 December 2019				
Investments	-	15,661	108,164	123,825
Trade, contract and other receivables*	332,763	-	-	332,763
Cash in hand and at bank	449,570	-	-	449,570
	-----	-----	-----	-----
Total financial assets	782,333	15,661	108,164	906,158
31 December 2018				
Investments	-	15,221	125,984	141,205
Trade, contract and other receivables*	281,325	-	-	281,325
Cash in hand and at bank	400,774	-	-	400,774
	-----	-----	-----	-----
Total financial assets	682,099	15,221	125,984	823,304

* Excluding prepayments and VAT refundable

	At amortised cost	Fair value through profit or loss (FVTPL)	Total
Financial liabilities	AED'000	AED'000	AED'000
31 December 2019			
Borrowings	875,689	-	875,689
Trade and other payables	278,141	-	278,141
	-----	-----	-----
Total financial liabilities	1,153,830	-	1,153,830
31 December 2018			
Borrowings	645,028	-	645,028
Trade and other payables	247,301	-	247,301
	-----	-----	-----
Total financial liabilities	892,329	-	892,329
	=====	=====	=====

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

32. Financial instruments (continued)

32.1 Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the Group's credit exposure. The Group's exposure to credit risk at the reporting date was:

Trade, contract and other receivables

	Stage 1 12 months ECL AED'000	Stage 2 Life time ECL AED'000	Stage 3 Life time ECL AED'000	Total AED'000
As at 31 December 2019				
Trade, contract and other receivables*	47,262	290,707	4,015	341,984
Expected credit loss	(648)	(4,558)	(4,015)	(9,221)
Carrying amount	46,614	286,149	-	332,763
As at 31 December 2018				
Trade, contract and other receivables *	67,720	218,890	46,802	333,412
Expected credit loss	(1,019)	(4,266)	(46,802)	(52,087)
Carrying amount	66,701	214,624	-	281,325

* Excluding prepayments and VAT refundable

32.2 Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
31 December 2019				
Financial liabilities				
Trade and other payables	278,141	278,141	278,141	-
Borrowings	875,689	970,984	518,877	452,107
	-----	-----	-----	-----
	1,153,830	1,249,125	797,018	452,107

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

32. Financial instruments (continued)

32.2 Liquidity risk (continued)

	Carrying amount AED'000	Contractual cash flows AED'000	Less than one year AED'000	More than one year AED'000
31 December 2018				
Financial liabilities				
Trade and other payables	247,301	247,301	247,301	-
Borrowings	645,028	680,700	575,451	105,249
	-----	-----	-----	-----
	892,329	928,001	822,752	105,249

32.3 Equity price risk

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 equity securities are valued by experts at each reporting date.

32.4 Interest rate risk

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

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

	2019 AED'000	2018 AED'000
Fixed rate instruments		
Financial assets		
Fixed deposits	400,000	350,000
	=====	=====
Variable rate instruments		
Financial liabilities		
Borrowings	875,689	645,028
	=====	=====

Sensitivity analysis for variable rate instruments

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

	Consolidated profit or loss	
	100 bp Increase AED'000	100 bp decrease AED'000
31 December 2019		
Variable rate instruments	(8,757)	8,757
	=====	=====
31 December 2018		
Variable rate instruments	(6,450)	6,450
	=====	=====

RAK PROPERTIES PJSC AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019 (continued)

33. Segment reporting

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

	Property Sales AED '000	Property Leasing AED '000	Others AED '000	Total AED '000
For the year ended 31 December 2019				
Revenue	140,563	29,385	22,475	192,423
	=====	=====	=====	=====
Segment results	34,345	27,411	(3,148)	58,608
	=====	=====	=====	=====
As at 31 December 2019				
Total assets	1,163,855	2,949,569	1,564,715	5,678,139
	=====	=====	=====	=====
Total liabilities	358,819	346,788	1,067,566	1,773,173
	=====	=====	=====	=====
For the year ended 31 December 2018				
Revenue	45,974	31,658	23,759	101,391
	=====	=====	=====	=====
Segment results	21,697	29,906	(5,782)	45,821
	=====	=====	=====	=====
As at 31 December 2018				
Total assets	1,060,044	2,871,998	1,409,034	5,341,076
	=====	=====	=====	=====
Total liabilities	302,202	338,260	887,157	1,527,619
	=====	=====	=====	=====

34. Comparative Figures

Certain comparative figures have been rearranged/reclassified, wherever necessary to conform to the presentation adopted in these consolidated financial statements. This does not impact the previously reported profit, net assets and equity of the Group.

35. Purchase of shares

The Group has not purchased any shares during the year ended 31 December 2019 (2018: Nil).

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2019

First, Measures taken to complete the corporate governance system during 2019 and how to implement them:

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

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 the law 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 2019 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 2019:

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.

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2019

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

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

During 2019, 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 31/12/2019	Total sales during 2019	Total purchase during 2019
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	Dr. Mohammed Abdullah Mohammed Al Hammoudi Al Meherzi	Independent Board Member	2,136,376	-	-
7	Mohamed Ahmed Ali Hassan Ruqait Al-Ali	Independent Board Member	129,000,000	-	9,000,000
8	Nawwaf Ghubash Ahmed Ghubash Al Marri	Independent Board Member	273,347	-	-
9	Samih Onsi Naguib Sawiris	Resigned Member	-	-	-

CORPORATE GOVERNANCE REPORT ISSUED BY RAK PROPERTIES P.J.S.C. FOR THE YEAR 2019

Third, Formation of the Board of Directors:

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

Pursuant to 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 where he resigned in 12/5/2019 and his resignation has been approved by the board on 14/5/2019. 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:

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. 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.	15 years	Chairman at National Bank of Ras Al Khaimah	Chairman of RAK Properties

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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 investments. He also has considerable experience in Federal National Council (FNC) affairs.	Holds a BA in International Business Administration from San Jose State University, USA, 1987.	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	<p>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".</p> <p>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.</p> <p>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.</p> <p>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.</p>	Graduated from the British Royal University, mail & Communication college	15 years	<p>Vice-Chairman of Ras Al Khaimah Co. for White Cement & Construction Materials.</p> <p>Chairman of Commercial Bank International (CBI)</p> <p>Chairman of Emirates post group</p>	Managing Director of RAK Properties
4	Board Member	Sheikh Tariq Ahmed Bin Humaid Al Gassimi	Independent	He has vast experience in the banking, bank management and business administration.	Holds a BA in Business Administration from San Francisco University, USA and he holds master's degree in financial science from Zayed University in Abu Dhabi	8 years	None	Board Member, RAK Properties
5	Director	Sheikh Ahmed Bin Omar Al Gassimi	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	5 years	None	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.	5 years	None	Director General of RAK Customs Department, Board Member, RAK Properties

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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	15 years	None	Chairman of Al Ali Construction & Development Company, Owner of Mohamed Ruqait Properties, Board Member of RAK Properties
8	Board Member	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, and he took courses from the international institute of management and development IMD in lozan, Switzerland and incide in France	9 years From 2005 to 2012 And from 2018 to present	Chairman of United Insurance Company	Vice-Chairman of Ghubash Trading and Investment Company Ltd since 1999. Board Member and member of the Executive Committee of the Sahara Centre in Sharjah since 2000. Board Member of Emtak company Previously he was board member in julphar industries-Bangladesh and the vice chairman of chamber of commerce of RAK Board member of Adax Bank Bahrain ,board member of emirates association of insurance, board member of Anwar holding in Oman
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	None	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%

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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 2018:

The remuneration paid to the Chairman and Board Members for the year 2018 amounted to AED 4 Million Dirhams which was presented to the shareholders' General Assembly held on March 24, 2019 and received its approval.

2. Total of Board Members' remuneration proposed for the year 2019, 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 3.6 million Dirhams (AED 400,000 for every member and AED 800,000 for the chairman to be distributed among them for the year 2019 and the board members propose to distribute 3% cash dividends for the year 2019.

3. Attendance allowance received by the Board Members for attending the meetings of the Board committees for the fiscal year 2019 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	3 meetings (10,000) per meeting	-	-	30,000	3
3	Mr. Mohammad Sultan Al Qadi	Managing Director, Chairman of Nominations and Remunerations Committee	-	1 Meeting (10,000) per meeting	-	10,000	1
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

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5	Sheikh Ahmed Omar Al Qassimi	Board Member, member of Nominations and Remunerations Committee and member of Executive and Investment Committee	3 meetings (5,000) per meeting	1 Meeting (5,000) per meeting	-	20,000	4
6	Dr. Mohammed Abdullah Al Meherzi	Board Member, Chairman of Audit committee	-	-	2 Meetings (10,000) per meeting	20,000	2
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	3 Meetings (5,000) per meeting	-	4 Meetings (5,000) per meeting	45,000	7
9	Mr. Samih Onsi Sawiris	Board Member	1 Meeting (5,000) per meeting	-	-	5,000	1
10	Mr. Andrew Robinson	Independent member of Audit committee	-	-	4 Meetings (5,000) per meeting	20,000	4

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

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.

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E. Number of Board meetings during 2019:

During the fiscal year 2019 ended 31 December 2019, 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. 1/2019 on 19/1/2019	7	1	- Mr. Samih Sawirs did not attend - Shiekh Tariq Al Qassemi authorized Mr. Mohamed Hasan Omran to vote on his behalf
2	Meeting no 2/2019 on 14/2/2019	8	-	- Mr. Samih Sawirs did not attend
3	Meeting no 3/2019 on 4/5/2019	8	-	-Mr. Mohamed Al Meherzi did not attend
4	Meeting no 4/2019 on 11/5/2019	8	-	- Mr. Samih Sawirs did not attend and he resigned on 11/5/2019
5	Meeting no 5/2019 on 1/6/2018	6	1	Mr. Mohamed Ahmed Ruqait did not attend and Mr. Abdul Aziz Al Zaabi did not attend
6	Meeting no 6/2019 on 29/6/2019	5	-	Mr. Nawwaf Ghabash, Mr. Mohamed Al Meherzi and Sheikh Tariq Al Qassemi did not attend
7	Meeting no 7/2019 on 26/10/2018	8	-	-
8	Meeting no. 8/2019 on 7/12/2019	8	-	-

Chairman and Board Members Personal attendance was as follows:

Name	Attendance
Mr. Mohammad Hassan Omran	8
Abdulaziz Abdullah Al Zaabi	7
Mr. Mohammad Sultan Al Qadi	8
Sheikh Tariq Ahmed Al Qassimi	6
Sheikh Ahmed Bin Omar Al Qassimi	8
Dr. Mohammed Abdullah Al Meherzi	6
Mr. Mohamed Ahmed Ruqait	7
Mr. Nawwaf Ghubash Al Marri	7
Mr. Samih Onsi Sawiris (resigned member)	1

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F. Number of Board Resolutions issued by circulation during the year 2019, indicating their dates:

The company's articles of association stipulated in Article 29 of the resolutions by circulation that the board of directors may issue some of its decisions by circulation in emergency cases, and these decisions are considered valid and effective as if they were taken in a meeting called and held duly taking into consideration that the cases of circulating the resolutions not exceeding 4 times annually And with the approval of the majority of the members of the Board of Directors on the resolution, accordingly, during the year 2019, the circulated resolutions were issued as follows:

1. Board Resolution by circulation No. 1/2019 on 27/2/2019, approving the award of the main contract for the construction of the Marbella Villas project to Al-Ali Contracting Company with a total value of 214 million dirhams, including all elements and authorizing the managing director to complete the contracting procedures.
2. Board Resolution by circulation No. 2/2019 on 14/5/2019, approving the resignation of Mr. Samih Onsi Sawiris from his position as a member of the Board of Directors of RAK Properties
3. Board Resolution by circulation No. 3/2019 of 7/22/2019, approving the financial statements for the second quarter of 2019 and disclosing them as assets to the financial market.

G. 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 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) 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) 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.

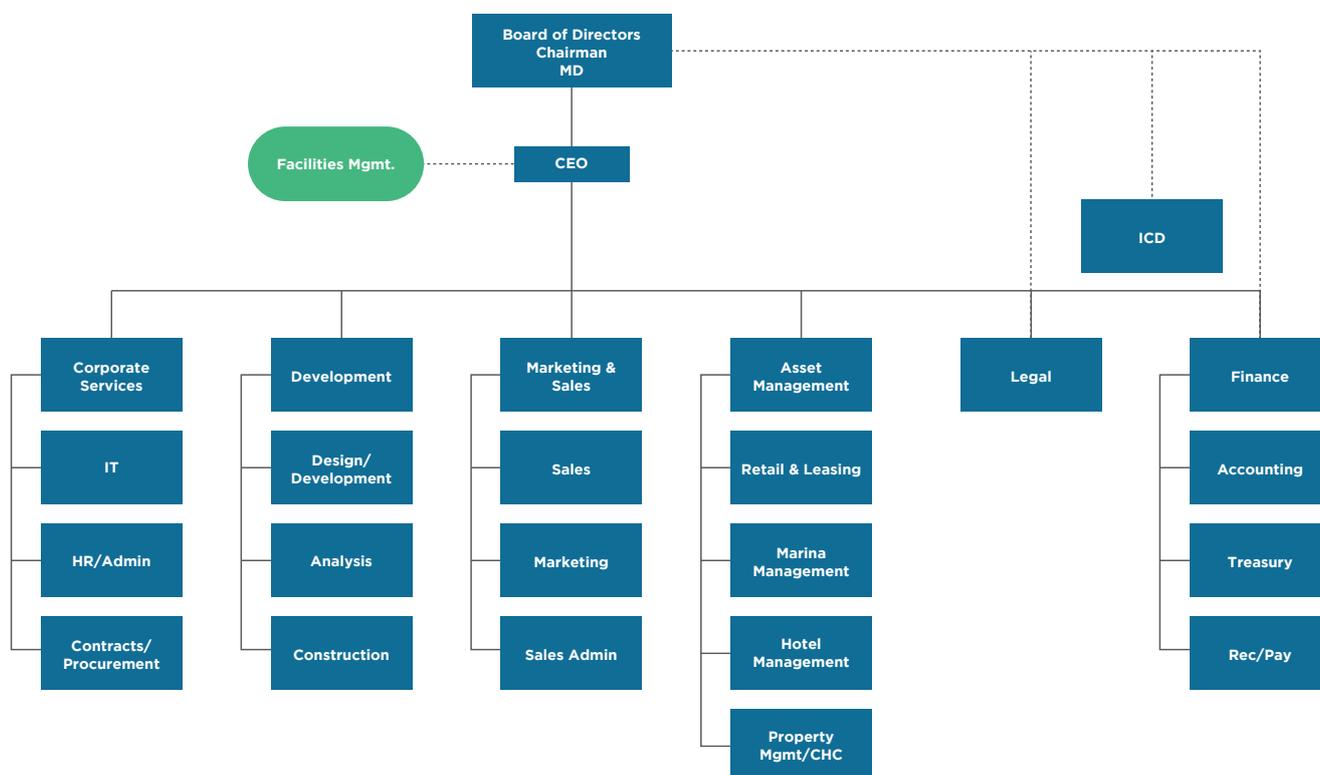
On 14/5/2019, the Board of Directors issued a resolution by circulation approving the termination of the services of the CEO, Mr. Samuel Dean Sidiqi, where the managing director, Mr. Mohamed Sultana Al-Qadi, assumed the duties of the CEO in a temporary manner and was assigned to conduct the company's business until the appointment of a new CEO, according to Board of Directors Decision No. 5 - 5/2019 dated 1/6/2019. Later and specifically on 7/12/2019 that Mr. Mohammed Abdul Razzaq Al-Tair was appointed as the Acting CEO of RAK Properties with his full delegation of legal powers determined by the authority matrix in the company under the Board Resolution No. 1 - 8/2019.

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H. Related Party Transactions (Stakeholders)

Statement of the related Party	Clarification of the Nature of the Transactions	Type of transaction	Value of Transaction
<p>1) Mr. Mohamed Ahmed Ruqait Al-Ali is a member of the Board of Directors of RAK Properties and he is major shareholder RAK Properties PJSC, holding 6.45%.</p> <p>2) He is also a partner in Al-Ali Construction and Development Company which is owned by the following: - Muhammad Ahmad Raqait Al-Ali, as a partner, with a percentage of 1%. Mohamed Ruqait Holding LLC as a 99% partner.</p>	<p>Among the projects of RAK Properties is the project of Marbella Villas, whose number is 206 villas, with a value of 214 million dirhams. The Al-Ali Company is considered one of the qualified companies out of the six companies that have been qualified, as Al-Ali submitted the lowest offers, and the tender went through a number of followed steps as a regular tender that is confidential and transparent and ended with the approval of the Board of Directors to award the project to Al-Ali Company, RAK Properties seeks to Comply with corporate governance in presenting the matter to the general assembly for this year 2020, with a statement of the most important details that the company has taken to ensure the transparency of the contract and protect the rights of its shareholders.</p>	<p>Building Contracting and Construction of 206 villas for 214 Million Dirhams</p>	<p>AED 214 Million Dirhams</p>

I. Company's Organizational Structure:



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J. Details of the Company's senior executives

Name	Position	Date of appointment	Total salaries and remunerations paid for the year 2019 in Dirhams	Total bonuses paid for the year 2019 in Dirham	Any other cash / in-kind bonuses for 2019 or due in the future
Mr. Samuel Dean Sidiqi (Terminated)	Ex-CEO	6/5/2018	1,798,127	It will be presented to the Nomination and Remuneration Committee	-
Mr. Mohammed Al Tair	Acting CEO & Chief Operating Officer	17/2/2008	1,006,451	It will be presented to the Nomination and Remuneration Committee	-
Mr. Maroky Joseph	Chief Financial Officer	5/12/2005	807,817	It will be presented to the Nomination and Remuneration Committee	-
Mr. Giles Alexander Hannah (Resigned)	Ex-Chief Commercial Officer	24/6/2018	323,894	It will be presented to the Nomination and Remuneration Committee	-
Mr. Omar Al Ali	Manager of Corporate Services Department	20/8/2017	626,856	It will be presented to the Nomination and Remuneration Committee	-
Dr. Ahmad Husam Al Sagheer (Resigned)	Ex-Legal advisor and Secretary of the Board of Directors	1/2/2017	363,444	It will be presented to the Nomination and Remuneration Committee	-
Mr. Maen Abdol-Kareem	Legal advisor and Secretary of the Board of Directors	1/10/2019	129,220	It will be presented to the Nomination and Remuneration Committee	-
Mr. Ali Hamdoon	Director of Sales and Marketing	1/9/2019	275,389	It will be presented to the Nomination and Remuneration Committee	-
Mr. Mladen Marendic	Director of Development	4/6/2017	828,043	It will be presented to the Nomination and Remuneration Committee	-

Fourth: External Auditor:

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

KPMG is one of the most experienced external auditing firms accredited by the Ministry of Economy. KPMG was appointed the Company's External Auditor by the approval of the General Assembly in its meeting dated 24/3/2019 and their auditing fees are AED 300,000 + AED 15,000 VAT shall be on the expense of RAK Properties. It is independent of the Company and the Board of Directors. It is not a partner or agent of any of the Company's founders, Board Members or any of their relatives to the fourth degree. All the work performed by the external auditor is free from any conflict of interest. The Company complies with all terms and conditions related to the External auditor pursuant to the provisions of the law No. 7 of 2016 on the rules of governance and standards of institutional discipline.

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

Name of Auditing Office and the auditors partner	Auditing Office: KPMG Lower Gulf Limited Auditors Partner: Freddie Edward Cloete
Number of years spent as an external auditor of the Company	1 year
Total audit fees in AED for 2019 financial statements	AED 300,000 + AED 15,000 VAT
Fees and costs for special services other than 2019 financial statements auditing	None
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 2019.	There is no another external auditor

No other special or additional services were provided by KPMG the Company's external auditor except for auditing the financial statements for 2019.

C. Qualified opinions made by the Company's auditor in the annual interim financial statements for the year 2019:

No Qualified opinions made by the Company's auditor for the year 2019

Fifth: Audit Committee

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

Dr. Mohammed Abdulla Al Meherzi Chairman of Audit Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

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

This committee was formed in 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:

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)

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.

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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.

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

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

During the fiscal year ended 31 December 2019, the Committee held the following meetings:

- 1 - Meeting no. 1/2019 on 13/2/2019
- 2 - Meeting no. 2/2019 on 2/5/2019
- 3 - Meeting no. 3/2019 on 28/7/2019
- 4 - Meeting no. 4/2019 on 22/10/2019

Name	Attendance
Mr. Mohammed Abdullah Al Meherzi	2
Mr. Nawwaf Ghubash Al Marri	4
Mr. Andrew Robinson	4

Sixth: Nominations and Remunerations Committee:

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

Mr. Mohamed Sultan Al Qadi Chairman of Nomination and Remuneration Committee, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

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

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

Members of the Nominations and Remunerations Committee during Board of Directors' current session 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.
- 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.

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- Developing and annually reviewing the policy of granting bonuses, benefits, incentives and salaries to Board of Directors members and its employees. The Committee should verify that the bonuses and benefits granted to the senior executive management of the Company are reasonable and commensurate with Company performance.
- Identifying the Company's needs of competent individuals at senior executive management level and employees and the bases of their selection.
- Considering and approving the end of service gratuities, bonuses, dismissal payments and similar payments the Board of Directors members, managing directors and executive management.
- Reviewing and evaluating the efficiency of the Committee's charter on an annual basis and requesting the Board of Directors' approval on the proposed changes.

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

During 2019, the Committee held one meeting on 11/2/2019 chaired by of Mr. Mohamed Sultan Al Qadi, the Managing Director and Chairman of the Nomination and Remuneration Committee and the meeting was attended by Sheikh Ahmed Bin Omar Al Qassemi, Board Member and Member of the Nomination and Remuneration Committee.

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

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

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

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

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

- 1- Legal Advisor: Chairman of the Committee
- 2- Chief Financial Officer - member
- 3- Investor Relations Manager - Member

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

1. Prepare a private and integrated record that includes the names and data of the insiders, including people who can be considered temporary insiders, and who have the right or access to the company's internal information before publishing it.
2. Monitor and supervise insiders' dealings and properties, and keep their record.
3. Conducting a periodic review of the insiders' records and statements, to ensure that they are constantly updated, and consulting with the executive management of the company regarding any updates that are required to be made on these records and statements at the time of occurrence in accordance with the requirements and requirements of the company's business progress.
4. Submitting the statements and periodic reports of the insiders to the Abu Dhabi Stock Exchange and / or the Securities and Commodities Authority.
5. Ensure that the list of company insiders is constantly updated on the Abu Dhabi Securities Exchange website, and that any update on this list is made as soon as it occurs.
6. Continuous communication with the insiders and spreading awareness of their trading in the company's shares and the securities issued by the company, including sensitizing them and constantly reminding them of the periods of prohibiting trading in the company's shares and the securities issued by the company in accordance with the regulations and rules in force with both the Securities and Abu Dhabi Securities Market Finance, to ensure compliance with it, and to avoid any wrongdoing.

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

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

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

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

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

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

c. Report summary of the Committee's work during 2019:

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

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

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

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

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

The Executive and Investment Committee is entrusted with some of the Board of Directors' duties and responsibilities in order to increase Board effectiveness by employing the skills of some of the Committee members in supervising some important issues such as supporting the Company's Executive Management. The Committee is formed by a Board of Directors decision for a period not exceeding 3 years and consists of a number of members not less than 4 members.

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 sixth member of the Committee by the Board of Directors Decision No. 1/4/2018. However, Mr. Samih Sawiris resigned from the Board and the Executive and Investment Committee on 11/5/2019 and his request was approved on 14/5/2019. So 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
(Resigned 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)

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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 in general.
- Review and approve the policies and procedures followed in the Company and the powers of accreditation and signature from time to time.
- Make suggestions and express opinion in timely manner to the Board and its Chairman regarding issues related to the performance of the Company and its main issues, if any.
- Develop and adopt the Company's organizational structure
- Develop and adopt the Company's organizational structure
- Propose major projects and strategic investments for the Company and propose the contribution to public offerings in companies' shares and submit them to the Board of Directors for approval.
- Discuss and adopt financial reports and commodities in the event that the Board of Directors cannot meet on time.
- Ensure the application of corporate governance controls.
Review and evaluate the Company's investments, and adopt appropriate solutions regarding them such as selecting exit mechanisms or adopting the most suitable investment opportunities in amounts not exceeding 50 million Dirhams.
Review the Company's financial balance sheet, cash flows and investment portfolios on a periodic basis and submit them to the Board of Directors. Ensure that there is an appropriate system for classification and archiving (e.g. meeting minutes, committee decisions, etc.)
- The Committee may adopt urgent decisions by passing them in the event that the meeting cannot be held as quickly as possible.
- The duration of the Committee's work is the same as that of the Board unless a decision is issued by the Board of Directors to the contrary.
- Any other matters assigned to it by the Chairman or the Board of Directors or matters necessary for the business in conformity with the Committee's functions and nature of work.
Consider any other matters determined by the Board of Directors.
- The Committee may seek the assistance of any specialized staff members or members of the Executive Board at any time to explain the issues relevant to the work of the Committee
- The Board of Directors shall have the right to request a meeting with the Committee whenever it deems appropriate.
- The Committee shall submit all its reports to the Board of Directors for approval and ratification at the first meeting of the Board following the last meeting of the Committee.
- Hold meetings, periodically or at the request of the Committee's Chairman or the majority of its members whenever necessary.

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

During the fiscal year ended 31 December 2019, the Committee held the following meetings:

- 1 - Meeting no. 1/2019 on 20/4/2019
- 2 - Meeting no. 2/2019 on 2/8/2019
- 3 - Meeting no. 3/2019 on 19/10/2019

Name	Attendance
Mr. Abdulaziz Abdullah Al Zaabi	3
Sheikh Tariq Ahmed Bin Humaid Al Qassimi	3
Sheikh Ahmed Bin Omar Al Qassimi	3
Mr. Nawwaf Ghubash Al Marri	3
Mr. Mohamed Ahmed Ruqait	2
Mr. Samih Onsi Sawiris (Resigned 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 governance requirements, subject of this report.

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

Mr. Usman Zishan, Manager of Internal Control Department, holds a Bachelor of Commerce, 2002. He has 12 years' experience in internal audit and he is reporting to the audit committee of the board. The Board of Directors continuously reviews the internal control system to ensure its effectiveness and realization of its objectives.

Internal Control Department's functions:

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

1. Values:

Internal control department's manager and Staff shall:

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

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2. Scope of Work:

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

- (A) Risks are identified and managed appropriately.
- (B) Important administrative, financial and operational information are accurate, reliable, sound and on time.
- (C) Policies, laws and instructions are complied with by the employees.
- (D) Materials are economically kept, efficiently used and sufficiently protected.
- (E) Programs, plans and objectives are achieved with the required efficiency.
- (F) Company's control process is of high quality and continuously developed.
- (G) Significant legislative and regulatory requirements affecting the Company are properly managed.

3. Accountability:

Internal control department's manager shall be responsible for performing his duties before the Company's Board of Directors through the Audit Committee and shall be responsible for submitting audit reports to the 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.

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5. Independence

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

6. Information and confidentiality:

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

The Internal Auditor shall also:

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

7. Responsibilities:

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

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

(B) Develop the annual audit plan using an approach based on identifying the risks associated with the activities and submit the plan to the Audit Committee and the MD 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, MD and other managers.

(G) Informing the Managing Director, 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 MD, 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.

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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 2019. Mr. Usman Zishan has a Bachelor of Commerce from Karnatak University, India, 2002. He has 14 years of experience and held many positions including Corporate Accountant and Internal Auditor 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.

(E) Number of reports issued from Internal Control Department

The Internal Control Department has issued 9 reports during the year 2019

Tenth: Details of violations committed during the fiscal year

No violation was committed during the fiscal year 2019

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

During 2019, RAK Properties made the following contributions:

- Sponsorship of Walk unified (coordination with Protocol department)
- Sponsorship of UAE National sports day of Taxis coordination with RAK Transport Authority
- Sponsorship of Carnival of tolerance (RAKFM)
- Sponsorship of Oral Health Day (Emirates dental society)
- Sponsorship of Ramadan tent & iftar for labors
- Sponsorship of RAK Club (sponsored rak sports & cultural club)
- Sponsorship of Taawoon Club - the 8th football league championship under the patronage of H.H Shaikh Saqer Bin Saud Al Qassimi
- Sponsorship of civil defense celebration 2019)
- Sponsorship of bait al khair in Ramadan
- Support of Rashid center for people determination
- Sponsorship of Al Ihsan charity association
- Sponsorship of Awafi heritage village
- Sponsorship of RAK FM
- Sponsorship of RAK Food Carnival (Protocol Department)

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Twelfth: General information:

a. The Company's share market price (closing , high and low price) at the end of each month during the financial year 2019

Month	Date	High	Low	Closing	Volume	Value	Trading No.
Dec	31/12/2019	0.44	0.43	0.44	2,759,061	1,188,529.26	13
Nov	28/11/2019	0.42	0.41	0.42	811,018	339,121.48	15
Oct	31/10/2019	0.46	0.46	0.46	117,004	53,587.83	3
Sep	30/9/2019	0.45	0.44	0.45	897,903	402,801.68	15
Aug	29/8/2019	0.45	0.44	0.44	143,053	63,738.74	4
Jun	31/7/2019	0.48	0.48	0.48	3,226,529	1,539,738.03	31
Jul	30/6/2019	0.43	0.43	0.43	645,000	277,179.10	8
May	30/5/2019	0.43	0.43	0.43	718,572	308,069.76	10
Apr	30/4/2019	0.48	0.46	0.48	1,457,745	675,437.97	28
Mar	31/3/2019	0.43	0.42	0.42	1,009,717	427,030.08	14
Feb	28/2/2019	0.46	0.45	0.46	3,753,233	1,716,134.85	42
Jan	31/1/2019	0.47	0.46	0.47	783,494	361,864.74	20

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 2019:

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 31/12/2019 classified as follows (National / GCC/ Arab / Foreign):

Symbol	Company Name	Nationals		GCC		Arabs		Others		Total Foreign	Outstanding
		Allowed	Actual	Allowed	Actual	Allowed	Actual	Allowed	Actual	Ownership%	Shares
RAKPROP	RAK Properties	100%	73.27%	49%	10.826%	49%	5.711	49%	10.193	26.73	2,000,000,000

(C) Shareholders' equity as of 31/12/2019 classified as follows (Individuals / Companies/ Governments): National / GCC/ Arab / Foreign:

Individuals				
Nationality Types	Volume	Net Value (AED)	%age	Number of Shareholders
ARB	109,695,466	48,266,005	5.486	16,163
GCC	116,418,262	51,224,035	5.822	10,471
OTH	74,868,126	32,941,975	3.744	7,995
UAE	1,126,038,442	495,456,914	56.314	34,948
Companies				
Nationality Types	Volume	Net Value (AED)	Percentage	Number of Shareholders
ARB	4,490,692	1,975,904	0.225	35
GCC	100,050,385	44,022,169	5.004	132
OTH	128,957,384	56,741,249	6.449	219
UAE	265,909,130	117,000,017	13.298	643
Government				
Nationality Types	Volume	Net Value (AED)	%age	Number of Shareholders
UAE	73,150,294	32,186,129	3.658	16

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(D) Shareholders who own (5%) and above of the Company's capital as at 31/12/2019

No.	Name	Number of owned shares	Shareholding percentage against the share capital
1	Mr. Mohamed Ahmed Ruqait (Board Member)	129,000,000	6.45%

(E) Shareholders who own (5%) and above of the Company's capital as at 31/12/2019

No.	Shareholding	Number of Shareholders	Number of shares	Shareholding percentage against the share capital
1	Less than 50,000	12289	120,433,143	6.02
2	From 50,000 to less than 500,000	1462	230,753,879	11.54
3	From 500,000 less than 5,000,000	458	656,978,675	32.85
4	More Than 5,000,000	71	956,857,033	47.84
5	Equal to 5,000,000	7	35,000,000	1.75

(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 ir@rakproperties.ae, 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 <http://www.rakproperties.net/investor-relation/>

(G) Special resolutions presented in the general assembly held during 2019 and the actions taken thereon.

No special resolutions

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

Board Rapporteur is Mr. Maen Abdol-Kareem and he is the legal advisor and Board secretary and he was appointed on 1/10/2019.

(I) Substantial events that occurred during the year 2019:

There have been no unusual or substantial events faced by the Company in 2019.

(J) Percentage of Emiratization in the Company by the end of 2019:

Number Board's national members are 8, and they include the Board's Chairman and Vice-Chairman and percentage of employees' Emiratization is as follows:

2017	2018	2019
8.3	8.1	8.5

(K) Projects and innovative initiatives undertaken by the Company or initiatives under development in 2019.

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.