رأس الخيمة العقارية
RAKPROPERTIES

Ref: RAKP/LA/011/2015
Date: 5th February 2015

المرجع: RAKP/LA/011/2015
التاريخ 2015/02/05

Mr. Saif Sayah Al-Mansuori
Head of Listing Companies Dept
Abu Dhabi Securities Exchange Market

السيد/ سيف صياح المنصوري المحترم
رئيس إدارة إدراج الشركات
سوق أبو ظبي للأوراق المالية

Dear Sir:

تحية طيبة وبعد،،،

<u>Subject: Results of RAK Properties BOD Meeting held on 5th February 2015</u>

<u>الموضــوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 2015/02/05</u>

Pursuant to our letter dated 2nd February 2015 , we would like to inform you that the company's BOD held its meeting at 10:00 am on Thursday 5th February 2015 , in RAS Al Khaimah , and discussed the items set out on the agenda, the results of the meeting are as follows :

بالإشارة الى كتابنا المؤرخ 2015/02/02 ، نرجوا التكرم بالاحاطة بأن مجلس الادارة قد إجتمع في تمام الساعة العاشرة صباحا وذلك يوم الخميس الموافق 2015/02/05 برأس الخيمة ، حيث تم مناقشة البنود المدرجة على جدول الأعمال ، وفيما يلي نتائج الاجتماع:

Approval of the financial Statements for the year ended on 31st December 2014 (copy of the reviewed financials along with the BOD report are enclosed herewith)

الموافقة على النتائج المالية السنوية للشركة عن السنة المالية المنتهية في 31 ديسمبر 2014 (مرفق نسخة عنها طيا إضافة الى تقرير مجلس الإدارة)

Proposal of dividends distribution of 5% cash dividend for the financial year ended on 31 December 2014 subject to the approval of the AGM

أقترح المجلس توزيع أرباح بنسبة 5% كأرباح نقدية عن السنة المنتهية في 31 ديسمبر 2014 ، ليتم عرضه على الجمعية العمومية لاتخاذ القرار المناسب

Approve the notice of commencement for the nomination of the Board of Directors after obtaining the appropriate approvals from the concerned authorities

الاعلان عن فتح باب الترشيح لعضوية مجلس الادارة بعد الحصول على موافقات السلطات المختصة

ص.ب: ٣١١١٣، رأس الخيمة، إ.ع.م. هاتف: ٢٢٨٤٧٧٧ ٧ ٩٧١+، فاكس: ٢٢٧٢٤٤٤ ٧ ٩٧١+
P.O.Box 31113, Ras Al Khaimah, UAE, Tel: +971 2284777, Fax: +971 7 2272444

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Approval of the AGM agenda and fixing 12th March 2015 as a date of convening the AGM , if the quorum not presents on this date , the second meeting shall convene on 19th March 2015 , subject to the appropriate approvals from the concerned authorities	أعتماد جدول أعمال الجمعية العمومية و تحديد موعد عقد الجمعية العمومية العادية لمساهمي الشركة وذلك بتاريخ 2015/03/12 ، وفي حال عدم اكتمال النصاب القانوني لهذا الاجتماع فسيتم عقد الاجتماع الثاني ، للجمعية العمومية العادية بتاريخ 2015/03/19، وذلك بعد الحصول على موافقة السلطات المختصة
Approval of some administrative matters that have no effect on the share price	اتخاذ بعض القرارات الادارية الاعتيادية الأخرى التي لا تأثير لها على سعر السهم وحركته في السوق

Best Regards,

و تفضلوا بقبول فائق التقدير و الإحترام

Mohammed Sultan Al Qadi
Managing Director &CEO

محمد سلطان القاضي
العضو المنتدب / الرئيس التنفيذي

رأس الخيمة العقارية
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ص.ب: ٣١١١٣، رأس الخيمة، إ.ع.م هاتف: ٧٧٧ ٢٢٨٤ ٧ ٩٧١+، فاكس: ٢٢٧٢٤٤٤ ٧ ٩٧١+
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DIRECTORS REPORT FOR THE YEAR ENDED 31ST DECEMBER 2014

On behalf of the board of Directors of RAK Properties PJSC, I am pleased to present the Financials Statements of the Company for the year ended 31st December 2014.

The Net Profit for the year ended 31st December 2014 is AED 156 million (2013 AED 151 million). Total assets of the Company is AED 4.72 billion (2013 AED 4.70 billion)

The summary of the financial performance is as under:

Description	**2014**	**2013**
Income Statement		
Revenue	297,826	322,318
Cost of Revenue	187,797	196,674
Gross Profit	110,029	125,644
Operating Profit	162,206	182,401
Net Profit	**155,743**	**150,587**
Financial Position		
Noncurrent Assets	3,673,311	3,548,859
Current Assets	1,046,541	1,151,056
Total Assets	**4,719,852**	**4,699,915**
Noncurrent Liabilities	769,231	751,199
Current Liabilities	232,819	313,577
Total Equity	3,717,802	3,635,139
Total equity and liabilities	**4,719,852**	**4,699,915**

Projects in Progress

In 2014, RAK Properties announced the Flamingo - II and Bermuda Villas Project in the Mina Al Arab, RAK. The construction of the Project started in April 2014. The development will be completed by 4th Quarter 2015. The revenue from the sale of Flamingo villas will be recognized at the time of key handover. The Flamingo villa project was fully sold out except few villas retained for the leasing portfolio.

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The Bermuda Villas Project, the luxury beach front community project in the Mina Al Arab was launched in June 2014. The construction of Bermuda villas commenced in November 2014. This project will be handed over in 2016.

The residential, commercial and retail leasing has been progressing as per the projections. The major part of the remaining retail space is expected to be leased in 2015

New Project

Among many projects in the finalization stage, a hotel property will be developed in the Mina Al Arab Flagship Project to complement the development. This will be a unique property to cater to the special hospitality segment constructed closed to the nature.

The company has also decided to build a residential building in Al Reem Island Abu Dhabi with 266 residential units ranging from Studios, one, two and three bedrooms.

Mohammad Sultan Al Qadi
Managing Director and CEO

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

Consolidated financial statements
and independent auditor's report
for the year ended 31 December 2014

رأس الخيمة العقارية
RAKPROPERTIES

Dear Shareholders,

The Board of Directors of RAK Properties PJSC and Subsidiaries (the "Group") has pleasure in submitting the consolidated statement of financial position of the group as at 31st December 2014 and the related consolidated statements of, comprehensive income, cash flows and changes in equity for the year ended 31 December 2014

Principal Activities: The principal activities of the Group during the year ended 31st December 2014 continue to be investment in, management and development of its real estate assets, property and facility management and associated services.

Financial result: The Group has reported a net profit for the year of AED 155.74 million (AED 150.59 million in 2013) with an EPS of AED 0.08 (AED 0.08 in 2013). The Total Equity as at 31st December 2014 amounted to AED 3.72 billion (AED 3.64 billion in 2013).

During the year under review the Group distributed AED 100 million (5% of the share capital) as dividend for the financial year 2013.

Operational Achievements: During the year the group announced the **Flamingo - II and Bermuda Villas** Project in the Mina Al Arab, RAK. The Flamingo villa project was fully **sold out** except few villas retained for the leasing portfolio. The construction of the Project started in April 2014 and expected to be completed by 4th Quarter 2015. **The Bermuda Villas Project**, the luxury beach front community project in the Mina Al Arab was launched in June 2014 to cater to the high and luxury residential market segment. The response for this project is very good. The construction of Bermuda villas commenced in November 2014, with the expected handing over in 2016. The leasing of residential, commercial and retail spaces are progressing in line with our projections.

Outlook 2015 The promising real estate market outlook encouraged the Group to pursue development of more strategic projects starting 2015. The Group has considered and approved projects in residential, hospitality and leisure segments. Among other projects, a residential Tower in Reem Island and a Resort Hotel project will be on top of the development agenda. The remaining retail and commercials space is expected to be leased out during the year 2015 this will improve Groups rental income.

Directors:

Mohammad Hassan Omran	- Chairman
Abdul Aziz Abdullah al Zaabi	- Deputy Chairman
Mohammad Sultan Al Qadi	- Director and CEO
Sheikh Tariq Ahmad Humaid Al Qassimi	- Director
Mohammad Ahmad Ruqait	- Director
Mohammad Bin Thaloub Al Diri	- Director
Jamal Salem Bin Darwish	- Director
Fahem Abdullah Yousuf Al Abdullah	- Director
Mohammed Abdulla Mohammed Al Mehrezi	- Director

Auditors:

M/s. Deloitte & Touche (ME) are eligible for re-appointment and have expressed their willingness to be re appointed.

On behalf of the Board,

Mohammad Hassan Omran
Chairman

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

Contents | **Pages**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **RAK Properties P.J.S.C. (the "Company") and its Subsidiaries (together the "Group"), Ras Al Khaimah, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Cont'd...

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **RAK Properties P.J.S.C. and its Subsidiaries, Ras Al Khaimah, United Arab Emirates** as at 31 December 2014, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Group has maintained proper books of account. The information included in the Directors' report relating to the consolidated financial statements is in agreement with the books. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended), or the Articles of Association of the Company which might have materially affected the consolidated financial position of the Group or its financial performance.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
5 February 2015

Consolidated statement of financial position
At 31 December 2014

	Notes	2014 AED '000	2013 AED '000
ASSETS			
Non-current assets			
Property and equipment	5	416,330	304,960
Investment properties	6	1,657,365	1,724,882
Investment properties under development	7	267,016	351,172
Trading properties under development	8	884,628	734,668
Investments	9	380,244	379,599
Advances	10	67,728	53,578
Total non-current assets		3,673,311	3,548,859
Current assets			
Investments	9	34,603	29,687
Advances	10	64,335	57,534
Trading properties	11	513,224	673,665
Trade and other receivables	12	129,756	64,370
Bank balances and cash	13 & 27	304,623	325,800
Total current assets		1,046,541	1,151,056
Total assets		4,719,852	4,699,915

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

Consolidated statement of financial position
At 31 December 2014 (continued)

	Notes	2014 AED '000	2013 AED '000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	2,000,000	2,000,000
Statutory reserve	15	1,000,000	297,267
General reserve	16	524,153	211,312
Cumulative changes in fair value of available – for-sale investments		28,920	-
Retained earnings		164,729	1,126,560
Total equity		3,717,802	3,635,139
Non-current liabilities			
Provision for employees' end of service indemnity	17	3,148	2,871
Borrowings	18	91,850	91,850
Deferred government grants	6	570,902	570,902
Advances from customers	19	103,331	85,576
Total non-current liabilities		769,231	751,199
Current liabilities			
Borrowings	18	12,126	75,952
Advances from customers	19	5,921	30,862
Trade and other payables	20	214,772	206,763
Total current liabilities		232,819	313,577
Total liabilities		1,002,050	1,064,776
Total equity and liabilities		4,719,852	4,699,915

Mohammad Sultan Al Qadi
Managing Director

Mohammad Hasan Omran
Chairman

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

Consolidated statement of income
for the year ended 31 December 2014

	Notes	2014 AED'000	2013 AED'000
Revenue	21	297,826	322,318
Cost of revenue	22	(187,797)	(196,674)
Gross profit		110,029	125,644
Other operating income/(expenses) - net		547	(1,519)
General and administrative expenses	23	(41,025)	(32,659)
Gain on changes in fair value of investment properties	6	92,655	81,356
Reversal of write down of trading properties under development to net realisable value	8	-	9,579
Operating profit		162,206	182,401
Gain on sale of investments		12,569	9,014
Provision for impairment on investments	9	(21,947)	(42,080)
(Provision for)/ reversal of impairment on advances		(3,350)	2,100
Net change in fair value of investments at fair value through profit or loss		4,339	6,703
Dividend income		2,233	1,980
Finance income	24	5,464	7,167
Finance expenses	24	(5,771)	(16,698)
Profit for the year		155,743	150,587
Basic earnings per share for the year (AED)	26	0.08	0.08

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

Consolidated statement of comprehensive income for the year ended 31 December 2014

	2014 AED'000	2013 AED'000
Profit for the year	**155,743**	150,587
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Increase in fair value of available-for-sale investments	**28,920**	-
Items that will not be reclassified subsequently to profit or loss:		
Board of Directors' remuneration	**(2,000)**	(1,760)
Other comprehensive income/(loss) for the year	**26,920**	(1,760)
Total comprehensive income for the year	**182,663**	148,827

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

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative changes in fair value of available-for -sale investments AED '000	Retained earnings AED '000	Total AED '000
Balance at 31 December 2012	2,000,000	282,208	196,253	-	1,107,851	3,586,312
Profit for the year	-	-	-	-	150,587	150,587
Other comprehensive loss for the year	-	-	-	-	(1,760)	(1,760)
Total comprehensive income for the year	-	-	-	-	148,827	148,827
Dividend paid (Note 32)	-	-	-	-	(100,000)	(100,000)
Transfer to reserves	-	15,059	15,059	-	(30,118)	-
Balance at 31 December 2013	2,000,000	297,267	211,312	-	1,126,560	3,635,139
Profit for the year	-	-	-	-	155,743	155,743
Other comprehensive income/(loss) for the year	-	-	-	28,920	(2,000)	26,920
Total comprehensive income for the year	-	-	-	28,920	153,743	182,663
Transfer to reserves (Note15 and 16)	-	702,733	297,267		(1,000,000)	-
Transfer to general reserve(Note 16)	-	-	15,574		(15,574)	-
Dividend paid (Note 32)	-	-	-		(100,000)	(100,000)
Balance at 31 December 2014	**2,000,000**	**1,000,000**	**524,153**	**28,920**	**164,729**	**3,717,802**

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

Consolidated statement of cash flows
for the year ended 31 December 2014

	2014 AED '000	2013 AED '000
Cash flows from operating activities		
Profit for the year	**155,743**	150,587
Adjustments for:		
Depreciation of property and equipment	**9,852**	9,389
Finance expense/(income) –*(net)*	**307**	9,531
Dividend income	**(2,233)**	(1,980)
Net change in fair value of investments at fair value through profit or loss	**(4,339)**	(6,703)
Gain on sale of investments	**(12,569)**	(9,014)
Provision for impairment on investments and advances – *(net)*	**25,297**	39,980
Gain on changes in fair value of investment properties	**(92,655)**	(81,356)
Reversal of write down of trading properties under development to net realisable value	**-**	(9,579)
Provision for employees' end of service indemnity	**530**	496
Operating cash flows before changes in operating assets and liabilities	**79,933**	101,351
Decrease in trading properties – *(net)*	**160,441**	182,619
Increase in trading properties under development - *(net)*	**(20,965)**	(14,041)
Increase in trade and other receivables	**(65,596)**	(35,802)
Increase in advances	**(24,301)**	(4,199)
(Decrease)/increase in trade and other payables	**(8,123)**	3,360
Decrease in advances from customers	**(7,186)**	(55,832)
Cash generated from operating activities	**114,203**	177,456
Employee's end of service indemnity paid	**(253)**	(114)
Net cash generated from operating activities	**113,950**	177,342

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

Consolidated statement of cash flows
for the year ended 31 December 2014 (continued)

	2014 AED '000	2013 AED '000
Cash flows from investing activities		
Purchase of property and equipment	**(870)**	(1,171)
Interest income received	**5,674**	12,653
Dividend income received	**2,233**	1,980
Additions to investments	**(12,725)**	(7,170)
Proceeds from disposal of investments	**31,046**	30,162
Additions to investment properties under development	**(4,716)**	(20,986)
Investment in term deposits with a maturity period over three months	**-**	25,000
Net cash generated from investing activities	**20,642**	40,468
Cash flows from financing activities		
Dividend paid	**(91,445)**	(90,495)
Term loan paid	**-**	(181,977)
(Decrease)/increase in bank overdraft	**(63,826)**	44,620
Board of Directors' remuneration	**(2,000)**	(1,760)
Interest paid	**(7,053)**	(19,256)
Net cash used in financing activities	**(164,324)**	(248,868)
Net decrease in cash and cash equivalents	**(29,732)**	(31,058)
Cash and cash equivalents at the beginning of the year	**32,983**	64,041
Cash and cash equivalents at the end of the year (Note 27)	**3,251**	32,983

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

Notes to the consolidated financial statements for the year ended 31 December 2014

1. General information

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

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

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

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these consolidated financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.

- Amendments to IAS 36 recoverable amount disclosures:
  The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting
  The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities
  On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
• IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
• IFRS 9 Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets: (2) the classification and measurement requirements for both financial assets and financial liabilities: (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.	1 January 2018

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: ▪ Step 1: Identify the contract(s) with a customer. ▪ Step 2: Identify the performance obligations in the contract. ▪ Step 3: Determine the transaction price. ▪ Step 4: Allocate the transaction price to the performance obligations in the contract. ▪ Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2017
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2017 and 1 January 2018 respectively. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3. Summary of significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties, investment properties under development and certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The amounts in the consolidated financial statements are rounded to nearest thousand ("AED '000") except when otherwise indicated.

The principal accounting policies are set out below:

3.3 Basis of consolidation

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

Control is achieved when the Company:

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Subsidiaries

Details of the Company's subsidiaries at 31 December 2014 are as follows:

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

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

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

3. Summary of significant accounting policies (continued)

3.5 Business combination

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.5 Business combination (continued)

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

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts.

Sale of properties

Revenue from the sale of properties is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the properties;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services – facility management fee

Revenue from rendering of services is recognised when the services are rendered.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the relevant lease.

3. Summary of significant accounting policies (continued)

3.6 Revenue recognition (continued)

Forfeiture income

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

3.7 Government grants

A government grant is recognised when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Grants are measured at fair value, and are recognised in the consolidated statement of income over the period in which the conditions attached to the grant are fulfilled.

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

The deferred Government Grant will be credited to consolidated statement of income on the fulfilment of the conditions stipulated by the Government and is based on the progress of development activities.

3.8 Foreign currencies

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

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

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

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

3. Summary of significant accounting policies (continued)

3.10 Property and equipment

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

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

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

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

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

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

3.11 Investment properties

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

3.12 Investment properties under development

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

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

3. Summary of significant accounting policies (continued)

3.13 Trading properties under development

Properties in the process of construction or development for the purpose of sale on completion are classified as trading properties under development. They are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of trading properties under development is determined on the basis of specific identification of their individual costs. The classification of trading properties under development as current and non-current depends upon the expected date of their completion.

3.14 Trading properties

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

3.15 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

3. Summary of significant accounting policies (continued)

3.16 Provisions

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

3.17 Employee benefits

3.17.1 Defined contribution plan

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

3.17.2 Leave passage

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

3.17.3 Provision for employees' end of service indemnity

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

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

3. Summary of significant accounting policies (continued)

3.18 Financial instruments

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

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

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

3.19 Financial assets

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

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

3.19.1 Bank balances and cash

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

3.19.2 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.2 Financial assets at FVTPL (continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

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

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

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

3.19.4 Loans and receivables

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

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.5 Held-to-maturity investments

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

3.19.6 Impairment of financial assets

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.6 Impairment of financial assets (continued)

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

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

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

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

3.19.7 Derecognition of financial assets

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

3.20 Financial liabilities and equity instruments issued by the Group

3.20.1 Classification as debt and equity instruments

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

3.21 Equity instruments

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

3. Summary of significant accounting policies (continued)

3.22 Financial liabilities

The Group has classified the following financial liabilities as 'other financial liabilities': trade and other payables and borrowings and are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

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

3.22.1 Derecognition of financial liabilities

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

3.23 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.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Critical judgments in applying accounting policies

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

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

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

4.1 Critical judgments in applying accounting policies (continued)

4.1.1 Classification of investments

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

4.1.2 Impairment of financial assets

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

Management has considered an amount of AED 22 million (2013: AED 42 million) as impairment loss on AFS financial assets for the year, based on the analysis of impairment test performed on available-for-sale financial assets.

4.1.3 Classification of properties

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

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Fair value of investment properties and investment properties under development

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

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

4.2.1 Fair value of investment properties and investment properties under development (continued)

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

4.2.2 Impairment of trading properties and trading properties under development

The Group's management reviews the trading and trading properties under development to assess impairment, if there is an indication of impairment.

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

4.2.3 Useful lives of property and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property and equipment as at 31 December 2014 (Note 5).

4.2.4 Valuation of unquoted equity investments

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

- Recent arms length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for the items and with similar terms and risk characteristics; or
- Other valuation models

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

As disclosed in note 31 to the consolidated financial statements, unquoted equity investments are valued using the net assets value method.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

5. Property and equipment

	Land AED '000	Buildings AED '000	Furniture and fixtures AED '000	Computer and office equipment AED '000	Motor Vehicles AED '000	Capital work in progress AED '000	Total AED '000
Cost							
31 December 2012	146,763	175,156	3,267	3,409	680	-	329,275
Additions during the year	-	784	39	322	26	-	1,171
Disposals	-	-	(92)	-	-	-	(92)
Transfers (Note 7)			1,025	-	-	-	1,025
31 December 2013	146,763	175,940	4,239	3,731	706	-	331,379
Additions during the year	-	184	63	521	102	-	870
Transfers (Note 6 and 7)	75,618	8,647	-	-	-	36,087	120,352
31 December 2014	**222,381**	**184,771**	**4,302**	**4,252**	**808**	**36,087**	**452,601**
Accumulated depreciation							
31 December 2012	-	11,765	1,598	3,104	655	-	17,122
Charge for the year	-	8,689	545	139	16	-	9,389
Eliminated on disposals	-	-	(92)	-	-	-	(92)
31 December 2013	-	20,454	2,051	3,243	671	-	26,419
Charge for the year	-	8,779	809	239	25	-	9,852
31 December 2014	**-**	**29,233**	**2,860**	**3,482**	**696**	**-**	**36,271**
Carrying amount							
31 December 2014	**222,381**	**155,538**	**1,442**	**770**	**112**	**36,087**	**416,330**
31 December 2013	146,763	155,486	2,188	488	35	-	304,960

5. Property and equipment (continued)

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

The management has reassessed the use of certain investment properties, investment properties under development and trading properties. In the view of the Board of Directors, these properties with a cost of AED 120,352 million (2013: AED 1 million) will now be used to generate revenues for the Group. Accordingly, the cost of such properties has been transferred to property and equipment.

6. Investment properties

	2014 AED '000	2013 AED '000
At 1 January	**1,724,882**	1,228,164
Change in fair value - *(net)*	**92,655**	81,356
Transferred (to)/from trading properties under development (Note 8)	**(84,554)**	415,362
Transferred to property and equipment (Note 5)	**(75,618)**	-
At 31 December	**1,657,365**	1,724,882
Inside U.A.E.	**1,639,333**	1,707,802
Outside U.A.E.	**18,032**	17,080
	1,657,365	1,724,882

During 2011, the Group has accounted for remaining portion of the land granted as deferred Government Grant at an aggregate value of AED 571 million with a corresponding increase to investment properties and trading properties under development. This deferred Government Grant will be released to the consolidated statement of income on the fulfilment of the conditions stipulated by the Government.

Investment properties have been valued as at 31 December 2014 by an independent valuer. The Board of Directors have considered the valuer's report and considering the recent upward trend of the market, considered increase in fair value of AED 93 million (2013: AED 81 million) which was recognised in the profit and loss.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

7. Investment properties under development

	2014 AED '000	2013 AED '000
At 1 January	**351,172**	199,368
Cost incurred	**4,716**	20,986
Transferred to property and equipment (Note 5)	**(44,734)**	(1,025)
Transferred (to)/from trading properties under development (Note 8)	**(44,138)**	131,843
At 31 December	**267,016**	351,172

The investment properties under development have been valued as at 31 December 2014 by an independent valuer. The Board of Directors have reviewed the above report of the independent valuer and have concurred that no change in fair value needs to be considered in the consolidated financial statements of the Group for the year ended 31 December 2014.

Investment properties under development are located in United Arab Emirates.

8. Trading properties under development

	2014 AED '000	2013 AED '000
At 1 January	**734,668**	1,258,253
Cost incurred	**21,268**	10
Reversal of write down to net realisable value	**-**	9,579
Transferred from/ (to) investment properties (Note 6)	**84,554**	(415,362)
Transferred from/ (to) investment properties under development (Note 7)	**44,138**	(131,843)
Other	**-**	14,031
At 31 December	**884,628**	734,668
Inside U.A.E.	**851,958**	701,998
Outside U.A.E.	**32,670**	32,670
	884,628	734,668

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

9. Investments

	2014 AED '000	2013 AED '000
Non-current investments		
Available-for-sale		
Private equity investments	**381,995**	375,925
Real estate fund	**297,906**	281,384
Less: provision for impairment	**(310,679)**	(288,732)
	369,222	368,577
Held to maturity investment	**11,022**	11,022
	380,244	379,599
Current investments		
At fair value through profit or loss	**34,603**	29,687

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

	2014 AED '000	2013 AED '000
Non-current investments		
Available-for-sale		
Investments within United Arab Emirates		
Unquoted private equity investments	**251,497**	245,796
Unquoted funds	**15,256**	16,074
	266,753	261,870
Investments outside United Arab Emirates		
Unquoted private equity investments	**130,499**	130,129
Unquoted funds	**282,649**	265,310
	413,148	395,439
Gross value for non-current investments	**679,901**	657,309
Less: Provision for impairment	**(310,679)**	(288,732)
	369,222	368,577

9. Investments (continued)

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

	2014 AED '000	2013 AED '000
Held to maturity investment		
Unquoted debt instrument placed outside United Arab Emirates	**11,022**	11,022
Total non-current investments	**380,244**	379,599
Current investments - FVTPL		
Quoted equity securities inside U.A.E.	**25,514**	16,397
Unquoted investments outside U.A.E.	**9,089**	13,290
	34,603	29,687

Movement in provision for impairment is set out below:

	2014 AED '000	2013 AED '000
At 1 January	**288,732**	252,653
Provisions made during the year	**21,947**	42,080
Write off during the year	**-**	(6,001)
At 31 December	**310,679**	288,732

A net increase in fair value of investments at fair value through profit and loss of AED 4 million (2013: AED 7 million) has been taken in the profit or loss.

The unquoted available-for-sale investments have been valued as at 31 December by an independent expert. The Board of Directors have reviewed the above report of the independent expert and have considered an amount of AED 22 million as impairment loss for the year ended 31 December 2014 (2013: AED 42 million).

10. Advances

	2014 AED '000	2013 AED '000
Advances	**161,313**	137,012
Less: provision for impairment	**(29,250)**	(25,900)
	132,063	111,112
Classified as:		
Non-current assets	**67,728**	53,578
Current assets	**64,335**	57,534
	132,063	111,112

Advances include:

(a) An amount of AED 79 million paid to acquire properties in the Emirate of Abu Dhabi.
(b) An amount of AED 18 million paid to acquire plots of land in the Emirate of Abu Dhabi.

At 31 December 2014, Board of Directors have analysed the recoverability and status of advances and have created provision for impairment amounting to AED 3 million (2013: provision for impairment reversed amounting to AED 2 million).

11. Trading properties

	2014 AED '000	2013 AED '000
At 1 January	**673,665**	856,284
Other	**-**	(9,187)
Cost of properties sold	**(160,441)**	(173,432)
At 31 December	**513,224**	673,665

All trading properties are located in United Arab Emirates.

During the year, based on an independent valuation of net realisable value of trading properties, Board of Directors has concurred that no write down to realisable value is identified in the valuation report and accordingly no charge to profit or loss for the year is required (2013: Nil).

12. Trade and other receivables

	2014 AED '000	2013 AED '000
Trade receivables	**30,527**	5,810
Other receivables	**99,229**	58,560
	129,756	64,370

The Board of Directors have performed the impairment test on trade and other receivables and have concluded that no impairment charge is required for the year (2013: Nil).

13. Bank balances and cash

	2014 AED '000	2013 AED '000
Cash in hand	**20**	20
Bank balances:		
Current accounts	**569**	103
Current accounts – unclaimed dividends (see Note 20)	**51,372**	42,817
Call accounts	**2,662**	2,860
Term deposits	**250,000**	280,000
	304,623	325,800

Bank balances and cash include term deposits amounting to AED 250 million (2013: AED 250 million) with a maturity period of more than three months, which accordingly are not included in cash and cash equivalents. The effective average interest rate on deposits was 1.85% (2013: 2%).

Fixed deposit amounting to AED 250 million is under lien against bank overdraft facility. At 31 December 2014, outstanding balance in the bank overdraft is amounting to AED 12,126 thousand (2013: AED 75,952 thousand) (Note 18).

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

Bank balances and cash are maintained in United Arab Emirates.

14. Share capital

The authorised issued and fully paid up share capital of the Company is AED 2 billion (2013: AED 2 billion) divided into 2 billion shares with par value of AED 1 each.

15. Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 8 of 1984 (as amended), and Article 57 (1) of 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. At the annual general meeting held on 13 March 2014, the shareholders approved to transfer an amount of AED 702,733 thousand from retained earnings to statutory reserve. The reserve is not available for distribution except in the circumstances stipulated by the law.

16. General reserve

In accordance with Article 57 (2) of 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.

At the annual general meeting held on 13 March 2014, the shareholders approved to transfer an amount of AED 297,267 thousand from retained earnings to general reserve.

17. Provision for employees' end of service indemnity

Movement in the net liabilities were as follows:

	2014 **AED '000**	2013 AED '000
Balance at the beginning of the year	**2,871**	2,489
Charge for the year	**530**	496
Amount paid	**(253)**	(114)
Balance at the end of the year	**3,148**	2,871

18. Borrowings

	2014 **AED '000**	2013 AED '000
Non-current liabilities		
Term loan	**91,850**	91,850
Current liabilities		
Bank overdraft	**12,126**	75,952

18. Borrowings (continued)

The Group has obtained unsecured term loans from Investment and Development Office (IDO), Government of Ras Al Khaimah amounting to AED 92 million (USD 25 million) in 2011; and is repayable entirely in one bullet installment in the year 2016. This loan carries a fixed interest rate of 4.95% and the interest is payable on a quarterly basis. The amount outstanding at the reporting date is AED 92 million (2013: AED 92 million).

The Group obtained overdraft facility of AED 350 million from a commercial bank. Interest on overdraft will be computed at 0.55% over the fixed rate up to the fixed deposit amount, and overdraft balance exceeding the deposit balance will be charged at the bank's base rate less 5% per annum.

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 250 million held with the bank in the name of the borrower.
- Undertaking to deposit all sale proceeds from the sale of properties in Mina Al Arab project in the overdraft account; and
- Undertaking to cover any excess over the sanctioned facilities from the Company's own sources.

19. Advances from customers

Advances from customers represent the amounts received as per payment plans from sale of trading properties currently under development and trading properties (total net sales as at 31 December 2014 – AED 0.32 billion) (2013: AED 0.16 billion). Revenue recognition is deferred until the time when the property development is substantially completed and significant risks and rewards of ownership are transferred to the buyer in accordance with the Group's accounting policy for revenue recognition (refer note 3).

Advances from customers are bifurcated between current and non-current based on the expected completion of trading properties to which it relates.

During the year, the Group had forfeited advances amounting to AED 31 million (2013: AED 44 million) for not fulfilling the payment obligation by certain customers after getting necessary legal advice.

20. Trade and other payables

	2014	2013
	AED '000	AED '000
Trade payables	**89,025**	87,290
Project accruals	**26,426**	37,485
Unclaimed dividends (see Note 13)	**51,372**	42,817
Other payables and accruals	**47,949**	39,171
	214,772	206,763

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

21. Revenue

	2014 AED '000	2013 AED '000
Sale of properties	**205,970**	218,473
Forfeiture income (see Note 19)	**31,405**	43,757
Facility management fee	**21,879**	18,465
Rental income	**23,614**	15,178
Other	**14,958**	26,445
	297,826	322,318

22. Cost of revenue

	2014 AED '000	2013 AED '000
Cost of sale of properties	**(160,441)**	(173,432)
Facility management and rental expenses	**(27,356)**	(23,242)
	(187,797)	(196,674)

23. General and administrative expenses

	2014 AED '000	2013 AED '000
Staff costs	**(16,949)**	(14,163)
Advertisement and marketing expenses	**(7,921)**	(4,466)
Depreciation	**(9,852)**	(9,389)
Other expenses	**(6,303)**	(4,641)
	(41,025)	(32,659)

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

24. Finance income and expenses

	2014 AED '000	2013 AED '000
Finance income	**5,464**	7,167
Interest expense on borrowings	**(5,750)**	(16,614)
Exchange loss	**(21)**	(84)
Finance expenses	**(5,771)**	(16,698)

25. Related party transactions

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24. The Group has a related party relationship with Government of Ras Al Khaimah, its shareholders, directors and executive officers, (including business entities over which they can exercise significant influence or which can exercise significant influence over the Group).

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

	2014 AED '000	2013 AED '000
Term deposits	**250,000**	250,000
Term loan	**(91,850)**	(91,850)
Overdraft	**(12,126)**	(75,952)

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

	2014 AED '000	2013 AED '000
Key management remuneration:		
Salaries and benefits	**8,082**	7,142
End of service benefits	**418**	417
	8,500	7,559
Directors sitting fees	**1,420**	1,455
Directors remuneration	**2,000**	1,760

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

25. Related party transactions (continued)

	2014 AED '000	2013 AED '000
Transactions:		
Interest income on term deposits	**4,900**	6,349
Interest expenses on term loan	**4,610**	16,118
Interest expense on overdraft	**1,298**	229
Term loan repaid during the year	-	181,977
Property sold	-	4,166

Other related party transactions

The Government of Ras Al Khaimah has granted certain plots of land with an aggregate area of 67.1 million square feet on the condition that these lands undergo development. Out of these, the Group did not recognise 0.175 million square feet in these consolidated financial statements as the development work has not commenced on these plots of land as at 31 December 2014.

26. Basic earnings per share

	2014	2013
Profit for the year (in AED '000)	**155,743**	150,587
Number of shares (in '000)	**2,000,000**	2,000,000
Basic earnings per share (in AED)	**0.08**	0.08

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

27. Cash and cash equivalents

	2014 AED '000	2013 AED '000
Bank balances and cash	**304,623**	325,800
Current accounts – unclaimed dividends	**(51,372)**	(42,817)
Term deposits with maturity more than three months - under lien	**(250,000)**	(250,000)
	3,251	32,983

28. Commitments and contingent liabilities

Commitments relating to the property development are as follows:

	2014	2013
	AED '000	AED '000
Approved and contracted	**242,116**	53,441
Approved but not contracted	**321,660**	277,175

The Group has two legal cases with one of the contractor. The management in consultation with the external lawyer have reviewed the status of the legal case and have concluded that no provision needs to be maintained against the above, other than the liability considered in the consolidated financial statements.

29. Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of borrowings, bank balances and cash and equity, comprising share capital, reserves and retained earnings.

The Group reviews the capital structure on a regular basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

30. Financial instruments

30.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

30. Financial instruments (continued)

30.2 Categories of financial instruments

Assets	Loans and receivables AED'000	Held-to-maturity AED'000	Held for trading AED'000	Available-for-sale AED'000	Non-financial Instruments AED'000	Total AED'000
31 December 2014						
Property and equipment	-	-	-	-	416,330	416,330
Investment properties	-	-	-	-	1,657,365	1,657,365
Investment properties under development	-	-	-	-	267,016	267,016
Trading properties under development	-	-	-	-	884,628	884,628
Investments	-	11,022	34,603	369,222	-	414,847
Advances	-	-	-	-	132,063	132,063
Trading properties	-	-	-	-	513,224	513,224
Trade and other receivables	129,447	-	-	-	309	129,756
Bank balances and cash	304,623	-	-	-	-	304,623
Total assets	**434,070**	**11,022**	**34,603**	**369,222**	**3,870,935**	**4,719,852**

Equity and liabilities 31 December 2014	Financial instruments AED '000	Non-financial instruments AED '000	Total AED '000
Equity	-	3,717,802	3,717,802
Provision for employees' end of service indemnity	-	3,148	3,148
Borrowings	103,976	-	103,976
Deferred government grants	-	570,902	570,902
Advance received from customers	-	109,252	109,252
Trade and other payables	214,772	-	214,772
Total equity and liabilities	**318,748**	**4,401,104**	**4,719,852**

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

30. Financial instruments (continued)

30.2 Categories of financial instruments (continued)

Assets	Loans and receivables AED'000	Held-to-maturity AED'000	Held for trading AED'000	Available-for-sale AED'000	Non-financial instruments AED'000	Total AED'000
31 December 2013						
Property and equipment	-	-	-	-	304,960	304,960
Investment properties	-	-	-	-	1,724,882	1,724,882
Investment properties under development	-	-	-	-	351,172	351,172
Trading properties under development	-	-	-	-	734,668	734,668
Investments	-	11,022	29,687	368,577	-	409,286
Advances	-	-	-	-	111,112	111,112
Trading properties	-	-	-	-	673,665	673,665
Trade and other receivables	63,509	-	-	-	861	64,370
Bank balances and cash	325,800	-	-	-	-	325,800
Total assets	389,309	11,022	29,687	368,577	3,901,320	4,699,915

Equity and liabilities 31 December 2013	Financial instruments AED '000	Non-financial instruments AED '000	Total AED '000
Equity	-	3,635,139	3,635,139
Provision for employees' end of service indemnity	-	2,871	2,871
Borrowings	167,802	-	167,802
Deferred government grants	-	570,902	570,902
Advance received from customers	-	116,438	116,438
Trade and other payables	206,763	-	206,763
Total equity and liabilities	374,565	4,325,350	4,699,915

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

30. Financial instruments (continued)

30.2 Categories of financial instruments (continued)

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

30.3 Interest rate risk management

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

At 31 December 2014, bank deposits carried interest rates ranging from 1.85% to 2% per annum (2013: 1.4% to 2.6% per annum). The interest rates on borrowings are linked to three month USD LIBOR plus floating interest rate of 4.95% per annum (2013: 4.95% to 7.65% per annum).

30.4 Financial risk management objectives

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

30.5 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

30.6 Equity price risk

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

30.7 Equity price sensitivity analysis

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

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

30. Financial instruments (continued)

30.8 Foreign currency risk management

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

30.9 Credit risk management

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

30.10 Liquidity risk management

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

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

Financial assets and financial liabilities comprise of investments, trade and other receivables, bank balances and cash, borrowings, trade and other payables, which mature or are payable within one year from the end of the reporting date other than investments and borrowings which mature or are payable after one year (see Note 9 and 18).

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.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

31. Fair value measurements (continued)

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2013.

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

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

Financial assets	**Fair value as at**					
	31 December 2014 AED'000	31 December 2013 AED'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservabl input**	**Relationship of unobservable inputs to fair value**
Available for sale						
Unquoted private equity investments and funds	**679,901**	657,309	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	**25,514**	16,397	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted investments	**9,089**	13,290	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value	Higher the net assets value of the investees, higher the fair value.

31. Fair value measurements (continued)

Fair value measurements recognised in the consolidated statement of financial position

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

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

31 December 2014

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Available-for-sale				
Unquoted equities and funds (Gross value)	-	-	679,901	679,901
Financial assets carried at FVTPL				
Assets held for trading	25,514	-	9,089	34,603
Investment properties	-	-	1,657,365	1,657,365
Investment properties under development	-	-	267,016	267,016
	25,514	-	**2,613,371**	**2,638,885**

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

31. Fair value measurements (continued)

31 December 2013

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total AED '000
Available-for-sale				
Unquoted equities and funds (Gross value)	-	-	657,309	657,309
Financial assets carried at FVTPL				
Assets held for trading	16,397	-	13,290	29,687
Investment properties	-	-	1,724,882	1,724,882
Investment properties under development	-	-	351,172	351,172
	16,397	-	2,746,653	2,763,050

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

32. Dividend

The Directors propose that a dividend of AED 100 million AED 5 fils per share (2013: AED 100 million, AED 5 fils per share) to be paid to the Shareholders for the year 2014. The Directors also propose the Board of Directors' remuneration of AED 3 million (2013: AED 2 million).

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

At the annual general meeting held on 13 March 2014, the shareholders approved cash dividend of 5% amounting to AED 100 million (AED 5 fils per share) for the year ended 31 December 2013 (2012: 5%, AED 100 million). Shareholders also approved the Board of Directors' remuneration of AED 2 million for the year ended 31 December 2013 (2012: AED 1.7 million).

33. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 February 2015.