رأس الخيمة العقارية
**RAK**PROPERTIES

Ref: RAKP/LA/012/2017
Date: 12th of February 2017

المرجع:RAKP/LA/012/2017
التاريخ 2017/02/11

Mr. Saif Sayah Al-Mansuori

Head of Listing Companies Department

Abu Dhabi Securities Exchange Market

السيد/ سيف صياح المنصوري المحترم

رئيس إدارة إدراج الشركات

سوق أبو ظبي للأوراق المالية

Dear Sir:

تحية طيبة وبعد،،،

**Subject: Results of RAK Properties BOD Meeting held on 11th of February 2017**

**الموضــوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 2017/02/11**

Pursuant to our letter dated 6th February 2017 , we would like to inform you that the company's BOD held its meeting at 9:30 am on Saturday , 11th of February 2017 , in RAS Al Khaimah, and discussed the items set out on the agenda, the results of the meetings are as follows:

بالإشارة الى كتابنا المؤرخ 2017/2/06 نرجوا التكرم بالاحاطة بأن مجلس الادارة قد إجتمع في تمام الساعة التاسعة والنصف صباحاً وذلك يوم السبت الموافق 2017/2/11 برأس الخيمة ، حيث تم مناقشة البنود المدرجة على جدول الأعمال ، وفيما يلي نتائج الاجتماع:

Approval of the financial statements for the year ended 31st December 2016 (copy of the reviewed financials along with the BOD report are enclosed herewith)

الموافقة على النتائج المالية السنوية المدققة للشركة عن السنة المالية المنتهية فى 31 ديسمبر 2016 (مرفق نسخة عنها طيا بالإضافة إلى تقرير مجلس الإدارة)

The BOD has suggested distributing dividends of 5% in cash of the financial year ending on 2016 subject to the approval of the AGM.

اقترح المجلس توزيع أرباح بنسبة 5% كأرباح نقدية عن السنة المنتهية فى 31 ديسمبر 2016 ليتم عرضه على الجمعية العمومية لاتخاذ القرار المناسب.

Approval of the AGM agenda and fixing 11th of March 2017 as a date of convening the AGM, if the quorum is not present on this date, the second meeting will be convened on the 18th of March 2017 subject to the approval from the competent authorities.

اعتماد تحديد موعد عقد الجمعية العمومية العادية لمساهمى الشركة وذلك بتاريخ 11مارس 2017 وفي حال عدم اكتمال النصاب القانوني لهذا الاجتماع فسيتم عقد الاجتماع الثاني بتاريخ 18 مارس 2017 وذلك بعد الحصول على موافقة السلطات المختصة.

Approval of some administrative matters that have no effect on the share price.

اتخاذ بعض القرارات الاعتيادية الأخرى التي ليس لها تأثير على سعر السهم وحركته في السوق.

Best Regards,

و تفضلوا بقبول فائق التقدير و الإحترام

رأس الخيمة العقارية
RAKPROPERTIES

Mohammed Sultan Al Qadi
Managing Director &CEO

محمد سلطان القاضي
العضو المنتدب / الرئيس التنفيذي

RAKPROPERTIES
رأس الخيمة العقارية

## DIRECTORS REPORT FOR THE YEAR ENDED 31ST DECEMBER 2016

On behalf of the board of Directors of RAK Properties PJSC, I am pleased to present the Financials results of the Company for the year ended 31st December 2016.

In 2016, RAK Properties achieved a revenue of AED 390 million (2015 AED 368 million) and net operating profit of AED 175 million (2015 AED 160 million).

| Income Statement | | AED '000 |
|---|---|---|
| | 31st Dec. 2016 | 31st Dec. 2015 |
| Revenue | 389,596 | 367,802 |
| Cost of Revenue | (250,580) | (233,227) |
| Gross Profit | 139,016 | 134,575 |
| **Profit for the year** | **174,814** | **160,095** |
| **Balance Sheet** | | |
| Non current Assets | 3,773,159 | 3,780,636 |
| Current Assets | 1,214,124 | 974,347 |
| **Total Assets** | **4,987,283** | **4,754,983** |
| Non current Liabilities | 680,780 | 634,526 |
| Current Liabilities | 455,629 | 368,381 |
| Total Equity | 3,850,874 | 3,752,076 |
| **Total Equity & Liabilities** | **4,987,283** | **4,754,983** |

**Project Completed in 2016**

During the year, RAK Properties handed over the keys of the Flamingo Villas – Phase II, in the eco themed Mina Al Arab mixed use water front community.

**Projects in Progress:**

Hospitality Project

The enabling work for 306 key Anantara Mina Al Arab Ras Al Khaimah resort started. The contract for enabling work for 350 key Intercontinental 5* Hotel is awarded. 100 Key luxury service apartments, located in the heart of the lagoon community, Mina Al Arab will be starting their operation in Q 1 / 2017.

Residential Projects
Bermuda villas, the luxury water front lifestyle villas in the Mina Al Arab development is in progress; scheduled to be handed over during 2017. The contract award for Julphar Residence, Reem Island, Abu Dhabi will be awarded shortly.

**New Project**

The Board of Directors approved number of projects for development the near future in Ras Al Khaimah, Abu Dhabi and Dubai; to mention few

1. Gateway residences buildings, Mina Al Arab
2. Beach Apartments four residential buildings in Mina Al Arab Ras Al Khaimah
3. The Mall development in the Mina Al Arab, RAK
4. Residential Tower in Abu Dhabi.

**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 2016**

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

| Contents | Pages |
|---|---|

رأس الخيمة العقارية
RAKPROPERTIES

**Dear Shareholders,**

The Board of Directors of RAK Properties PJSC has pleasure in submitting the consolidated financial statements for the year ending 31st December 2016.

**Principal Activities:** The principal activities of RAK Properties ended 31st December 2016 continue to invest in management and development of its real estate assets, property / facility management and associated services.

**Financial result:** In 2016, RAK Properties achieved a revenue of AED 390 million (2015 AED 368 million) and net operating profit of AED 175 million (2015 AED 160 million) with an EPS of AED 0.09 (AED 0.08 in 2015). The total assets of the Company as at 31st December 2016 is AED 4.99 billion (AED 4.75 billion in 2015).

**Operational Achievements:** RAK Properties handed over the Flamingo Villas – Phase II in the Mina Al Arab, Ras Al Khaimah. The luxury water front lifestyle Bermuda villas will be ready for hand over in the first half of the year 2017.

The enabling work for the Anantara Mina Al Arab, luxury eco resort, Ras Al Khaimah is making progress. Further, the contract for enabling work is awarded for the Intercontinental Hotel, 350 key beach front 5* hospitality property. These two properties will form part of the hospitality portfolio; envisioned to generate sustainable recurring income on long term basis.

**Outlook 2017** There are number of residential, hospitality and retail projects lined up for development on the available land bank; however, each project will be timed and developed depending upon on the real estate market outlook, funding options, demand and supply parameters.

**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 |
| Dr Mustafa Ali Mohd Y. Al Sheryani | - Director |

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 7 2284777, Fax: +971 7 2272444

رأس الخيمة العقارية
RAKPROPERTIES

Jamal Salem Bin Darwish - Director

Sheikh Ahmed Omar Al Qassimi - 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**

ص.ب: ٣١١١٣، رأس الخيمة، إ.ع.م. هاتف: ٢٢٨٤٧٧٧ ٧ ٩٧١+، فاكس: ٢٢٧٢٤٤٤ ٧ ٩٧١+
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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Consolidated Financial Statements

*Opinion*

We have audited the consolidated financial statements of **RAK Properties P.J.S.C. (the "Company") and its Subsidiaries (together the "Group"), Ras Al Khaimah, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

*Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other requirements that are relevant to our audit of the Group's consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cont'd...

Anis Sadek (521), Cynthia Corby (995) Georges Najem (809), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem Dajani (726), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

**INDEPENDENT AUDITOR'S REPORT** (continued)

*Key Audit Matters (continued)*

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| ***Valuation of unquoted available- for- sale (AFS) investments***<br><br>The carrying value of unquoted AFS investments incorporates certain assumptions and judgements, the valuation of these unquoted AFS investments were carried out by third party valuer.<br><br>We consider the valuation of these unquoted AFS investments a key audit matter, given the significant assumptions and judgements involved. | Management has involved third party valuer to perform valuation of these unquoted AFS investments.<br><br>We made use of our internal valuation specialist to evaluate on a sample basis the third party valuer's judgments, in particular:<br><br>• The models used for valuation; and<br><br>• That the valuation was done in accordance with the applicable standards and suitable for use in determining the carrying value for the purpose of the consolidated financial statements. |
| ***Valuation of Investment properties, Investment Properties under development, trading properties under development and trading properties***<br><br>Group's Investment Properties and Investment Properties under Development are initially measured at cost. Subsequent to initial recognition, investment properties and investment properties under development is measured at fair value.<br><br>Group's trading properties and trading properties under development are measured at the lower of cost and net realisable value. The Group uses external valuers to assess Net Realisable value of these properties.<br><br>The valuation of investment properties and trading properties, requires significant judgement and estimates by management and external valuers. The existence of significant estimation and judgement, coupled with change in valuation assumption used could result in material misstatement. The valuations of investment and trading properties under development are also dependent upon the estimated costs to complete and expected developer's profit margin.<br><br>We consider the valuation of these properties a key audit matter, given the significant judgements and estimates involved. | The Group has involved external valuer in order to value these properties for the purpose of determining the fair value and net realisable value.<br><br>We made use of our internal valuation specialist to test on a sample basis the reasonableness of :<br><br>• methodologies used and the appropriateness of the key assumptions, and<br><br>• accuracy and relevance of the input data used for deriving fair values. |

Deloitte.



**INDEPENDENT AUDITOR'S REPORT** (continued)

*Other information*

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

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

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

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

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

*Responsibilities of the management and those charged with governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors and Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We are required to communicate to the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Group's Board of Directors and Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT** (continued)

**Report on Other Legal and Regulatory Requirements**

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

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 9 to the consolidated financial statements, the Group has purchased or invested in shares during the financial year ended 31 December 2016;

vi) note 25 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016.

Deloitte & Touche (M.E.)

Signed by:
Samir Madbak
Registration No. 386
11 February 2017
Sharjah, United Arab Emirates

**Consolidated statement of financial position**
**At 31 December 2016**

| | Notes | 2016 AED '000 | 2015 AED '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | 446,666 | 432,390 |
| Investment properties | 6 | 1,960,887 | 1,796,964 |
| Investment properties under development | 7 | 295,299 | 266,538 |
| Trading properties under development | 8 | 654,093 | 864,199 |
| Investments | 9 | 269,025 | 282,454 |
| Advances | 10 | 77,573 | 78,697 |
| Trade and other receivables | 12 | 69,616 | 59,394 |
| **Total non-current assets** | | 3,773,159 | 3,780,636 |
| **Current assets** | | | |
| Trading properties under development | 8 | 168,890 | - |
| Investments | 9 | 39,333 | 33,393 |
| Advances | 10 | 66,502 | 82,860 |
| Trading properties | 11 | 354,187 | 439,104 |
| Trade and other receivables | 12 | 262,864 | 100,121 |
| Bank balances and cash | 13&27 | 322,348 | 318,869 |
| **Total current assets** | | 1,214,124 | 974,347 |
| **Total assets** | | 4,987,283 | 4,754,983 |

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

**Consolidated statement of financial position**
**At 31 December 2016 (continued)**

| | Notes | 2016 AED '000 | 2015 AED '000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 14 | 2,000,000 | 2,000,000 |
| Statutory reserve | 15 | 1,000,000 | 1,000,000 |
| General reserve | 16 | 557,644 | 540,163 |
| Cumulative changes in fair value of available – for-sale investments | | 13,735 | 6,099 |
| Retained earnings | | 279,495 | 205,814 |
| **Total equity** | | 3,850,874 | 3,752,076 |
| **Non-current liabilities** | | | |
| Provision for employees' end of service indemnity | 17 | 4,145 | 3,669 |
| Deferred government grants | 6 | 656,756 | 570,902 |
| Advances from customers | 18 | 19,879 | 59,955 |
| **Total non-current liabilities** | | 680,780 | 634,526 |
| **Current liabilities** | | | |
| Advances from customers | 18 | 2,443 | 7,213 |
| Borrowings | 19 | 140,812 | 91,850 |
| Trade and other payables | 20 | 312,374 | 269,318 |
| **Total current liabilities** | | 455,629 | 368,381 |
| **Total liabilities** | | 1,136,409 | 1,002,907 |
| **Total equity and liabilities** | | 4,987,283 | 4,754,983 |

**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 2016**

| | Notes | 2016 AED'000 | 2015 AED'000 |
|---|---|---|---|
| Revenue | 21 | 389,596 | 367,802 |
| Cost of revenue | 22 | (250,580) | (233,227) |
| Gross profit | | 139,016 | 134,575 |
| Other operating income – net | | 5,244 | 3,282 |
| General and administrative expenses | 23 | (52,842) | (39,963) |
| Gain on changes in fair value of investment properties, write off of investment properties and trading properties under development | 6 &8 | 87,723 | 124,417 |
| Write down of trading properties under development to net realisable value | 8 | (454) | - |
| Operating profit | | 178,687 | 222,311 |
| Gain on sale of investments | | 9,611 | - |
| Provision for impairment on investments | 9 | (17,385) | (63,637) |
| Provision for impairment on advances and other receivables | | (5,100) | - |
| Net change in fair value of investments at fair value through profit or loss | 9 | 5,740 | (1,210) |
| Dividend income | | 980 | 1,326 |
| Finance income | 24 | 5,891 | 5,141 |
| Finance expenses | 24 | (3,610) | (3,836) |
| **Profit for the year** | | 174,814 | 160,095 |
| **Basic earnings per share for the year (AED)** | 26 | 0.09 | 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 2016

| | 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| **Profit for the year** | **174,814** | 160,095 |
| **Other comprehensive income:** | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | |
| Increase/(decrease) in fair value of available-for-sale Investments | **7,636** | (22,821) |
| ***Items that will not be reclassified subsequently to profit or loss:*** | | |
| Board of Directors' remuneration | **(3,500)** | (3,000) |
| Other comprehensive income/(loss) for the year | **4,136** | (25,821) |
| **Total comprehensive income for the year** | **178,950** | 134,274 |

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

## Consolidated statement of changes in equity for the year ended 31 December 2016

| | 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 2014 | 2,000,000 | 1,000,000 | 524,153 | 28,920 | 164,729 | 3,717,802 |
| Profit for the year | - | - | - | - | 160,095 | 160,095 |
| Other comprehensive loss for the year | - | - | - | (22,821) | (3,000) | (25,821) |
| Total comprehensive income for the year | - | - | - | (22,821) | 157,095 | 134,274 |
| Transfer to general reserve (Note 16) | - | - | 16,010 | - | (16,010) | - |
| Dividend paid (Note 32) | - | - | - | - | (100,000) | (100,000) |
| Balance at 31 December 2015 | 2,000,000 | 1,000,000 | 540,163 | 6,099 | 205,814 | 3,752,076 |
| Effect of change in accounting policy (Note 33) | - | - | - | - | 19,848 | 19,848 |
| Balance at 1 January 2016 | 2,000,000 | 1,000,000 | 540,163 | 6,099 | 225,662 | 3,771,924 |
| Profit for the year | - | - | - | - | 174,814 | 174,814 |
| Other comprehensive income/(loss) for the year | - | - | - | 7,636 | (3,500) | 4,136 |
| Total comprehensive income for the year | - | - | - | 7,636 | 171,314 | 178,950 |
| Transfer to general reserve (Note 16) | - | - | 17,481 | - | (17,481) | - |
| Dividend paid (Note 32) | - | - | - | - | (100,000) | (100,000) |
| **Balance at 31 December 2016** | **2,000,000** | **1,000,000** | **557,644** | **13,735** | **279,495** | **3,850,874** |

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

## Consolidated statement of cash flows for the year ended 31 December 2016

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the year | **174,814** | 160,095 |
| Adjustments for: | | |
| Depreciation of property and equipment | **11,081** | 10,670 |
| Finance (income)/ expense –*(net)* | **(2,281)** | (1,305) |
| Dividend income | **(980)** | (1,326) |
| Net change in fair value of investments at fair value through profit or loss | **(5,740)** | 1,210 |
| Write off of other receivables | **3,975** | - |
| Gain on sale of investments | **(9,611)** | - |
| Provision for impairment on investments and advances – *(net)* | **18,510** | 63,637 |
| Gain on changes in fair value of investment properties | **(87,723)** | (157,631) |
| Write off of trading properties under development | **-** | 15,182 |
| Write down of trading properties under development to net realisable value | **454** | - |
| Write off of investment properties | **-** | 18,032 |
| Gain on disposal of property and equipment | **-** | (5) |
| Provision for employees' end of service indemnity | **676** | 685 |
| **Operating cash flows before changes in operating assets and liabilities** | **103,175** | 109,244 |
| Decrease in trading properties – *(net)* | **152,514** | 205,284 |
| Increase in trading properties under development - *(net)* | **(64,865)** | (147,255) |
| Increase in trade and other receivables | **(167,628)** | (30,867) |
| Decrease/(increase) in advances | **16,357** | (29,494) |
| Increase in trade and other payables | **53,112** | 42,107 |
| Decrease in advances from customers | **(6,850)** | (42,084) |
| **Cash generated from operating activities** | **85,815** | 106,935 |
| Employees' end of service indemnity paid | **(200)** | (164) |
| **Net cash generated from operating activities** | **85,615** | 106,771 |

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

## Consolidated statement of cash flows for the year ended 31 December 2016 (continued)

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | **(3,863)** | (1,421) |
| Interest income received | **5,632** | 6,249 |
| Dividend income received | **980** | 1,326 |
| Additions to investments | **(200)** | - |
| Proceeds from disposal of property and equipment | - | 8 |
| Proceeds from disposal of investments | **13,286** | 11,336 |
| Increase in term deposit | **(15,000)** | - |
| Additions to investment properties under development | **(28,761)** | (1,192) |
| **Net cash (used in)/generated from investing activities** | **(27,926)** | 16,306 |
| **Cash flows from financing activities** | | |
| Dividend paid | **(104,836)** | (93,782) |
| Repayment of term loan | **(91,850)** | - |
| Increase/(decrease) in bank overdraft | **140,812** | (12,126) |
| Board of Directors' remuneration | **(3,500)** | (3,000) |
| Interest paid | **(5,000)** | (6,141) |
| **Net cash used in financing activities** | **(64,374)** | (115,049) |
| **Net (decrease)/ increase in cash and cash equivalents** | **(6,685)** | 8,028 |
| Cash and cash equivalents at the beginning of the year | **11,279** | 3,251 |
| **Cash and cash equivalents at the end of the year (Note 27)** | **4,594** | 11,279 |

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

**Notes to the consolidated financial statements
for the year ended 31 December 2016**

## 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 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

**Notes to the consolidated financial statements for the year ended 31 December 2016 (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 yet applied the following new and revised IFRSs that have been issued but are not yet effective:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28 | The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017 |
| Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses | 1 January 2017 |
| Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. | 1 January 2017 |
| IFRIC 22 *Foreign Currency Transactions and Advance Consideration*<br>The interpretation addresses foreign currency transactions or parts of transactions where:<br>• there is consideration that is denominated or priced in a foreign currency;<br>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and<br>• the prepayment asset or deferred income liability is non-monetary. | 1 January 2018 |
| Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions | 1 January 2018 |
| Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard. | 1 January 2018 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (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 |
|---|---|
| Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive. | 1 January 2018 |
| 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: Disclosures* relating to the 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 16 *Leases* | 1 January 2019 |
| IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. | |
| Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. | Effective date deferred indefinitely |

**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 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) | 1 January 2018 |

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

## 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)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group's financial statements for the annual period beginning 1 January 2019. The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of the Group's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of its leases.

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.

### 2.3 New IFRS in issue but not yet effective that has been early adopted by the Group

IFRS 15 Revenue from contracts with customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2016. Refer Note 3.6 and Note 33 for further details.

## 3. Summary of significant accounting policies

### 3.1 Statement of compliance

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

### 3.2 Basis of preparation

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

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

The principal accounting policies are set out below:

## 3. Summary of significant accounting policies (continued)

### 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.

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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 3. Summary of significant accounting policies (continued)

### 3.3 Basis of consolidation (continued)

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 2016 are as follows:

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

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

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

### 3.5 Business combination

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

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

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

## 3. Summary of significant accounting policies (continued)

### 3.5 Business combination (continued)

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.

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. Summary of significant accounting policies** (continued)

**3.6 Revenue recognition**

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

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

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance obligation completed to date.

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

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

**3. Summary of significant accounting policies** (continued)

**3.6 Revenue recognition** (continued)

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

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

**3.7 Government grants**

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

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

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

**3.8 Foreign currencies**

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

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

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 3. Summary of significant accounting policies (continued)

### 3.9 Borrowing costs

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

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

### 3.10 Property and equipment

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

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

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

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

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

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

### 3.11 Investment properties

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

### 3.12 Investment properties under development

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

**3. Summary of significant accounting policies** (continued)

**3.12 Investment properties under development** (continued)

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.

**3.13 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.

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

## 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.

### 3.18 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.

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**3. Summary of significant accounting policies** (continued)

**3.18 Financial instruments** (continued)

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.

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. Summary of significant accounting policies** (continued)

**3.19 Financial assets** (continued)

*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.

*3.19.5 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.

**3. Summary of significant accounting policies** (continued)

**3.19 Financial assets** (continued)

*3.19.6 Impairment of financial assets* (continued)

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

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

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

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

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

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

*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.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 3. Summary of significant accounting policies (continued)

### 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.

### 3.22 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.

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

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

### 4.1 Critical judgments in applying accounting policies

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

*4.1.1 Classification of 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 17 million (2015: AED 64 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.

*4.1.4 Satisfaction of performance obligations*

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

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

### 4.1 Critical judgments in applying accounting policies (continued)

*4.1.5 Determination of transaction prices*

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

### 4.2 Key sources of estimation uncertainty

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

*4.2.1 Fair value of investment properties and investment properties under development*

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

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

*4.2.2 Impairment of trading properties and trading properties under development*

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

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

*4.2.3 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 2016 (Note 5).

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

### 4.2 Key sources of estimation uncertainty (continued)

*4.2.4 Valuation of unquoted equity investments*

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

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

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

*4.2.5 Impairment of trade and other receivables (including advances)*

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

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

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

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

**Notes to the consolidated financial statements for the year ended 31 December 2016 (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 2014 | 222,381 | 184,771 | 4,302 | 4,252 | 808 | 36,087 | 452,601 |
| Additions during the year | - | 532 | 61 | 643 | 185 | - | 1,421 |
| Disposals | - | - | (77) | (4) | - | - | (81) |
| Transfers (Note 7 and 8) | - | 25,312 | - | - | - | - | 25,312 |
| 31 December 2015 | 222,381 | 210,615 | 4,286 | 4,891 | 993 | 36,087 | 479,253 |
| Additions during the year | - | 1,459 | 65 | 2,278 | 26 | 35 | 3,863 |
| Transfers (Note 8) | - | 21,494 | - | - | - | - | 21,494 |
| **31 December 2016** | **222,381** | **233,568** | **4,351** | **7,169** | **1,019** | **36,122** | **504,610** |
| *Accumulated depreciation* | | | | | | | |
| 31 December 2014 | - | 29,233 | 2,860 | 3,482 | 696 | - | 36,271 |
| Charge for the year | - | 9,438 | 820 | 364 | 48 | - | 10,670 |
| Eliminated on disposal | - | - | (77) | (1) | - | - | (78) |
| 31 December 2015 | - | 38,671 | 3,603 | 3,845 | 744 | - | 46,863 |
| Charge for the year | - | 10,129 | 365 | 507 | 80 | - | 11,081 |
| **31 December 2016** | - | **48,800** | **3,968** | **4,352** | **824** | - | **57,944** |
| *Carrying amount* | | | | | | | |
| **31 December 2016** | **222,381** | **184,768** | **383** | **2,817** | **195** | **36,122** | **446,666** |
| 31 December 2015 | 222,381 | 171,944 | 683 | 1,046 | 249 | 36,087 | 432,390 |

## 5. Property and equipment (continued)

At 31 December 2016 the cost of fully depreciated property and equipment that was still in use amounted to AED 7,187 thousands (2015: AED 4,897 thousands).

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

The management has reassessed the use of certain trading properties under development. In the view of the Board of Directors, these properties with a cost of AED 21,494 thousands (2015: AED 25,312 thousands investment properties under development and trading properties under development) 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

| | **2016**<br>**AED '000** | 2015<br>AED '000 |
|---|---|---|
| At 1 January | **1,796,964** | 1,657,365 |
| Change in fair value - *(net)* | **173,577** | 157,631 |
| Transferred to trading properties (Note 11) | **(9,654)** | - |
| Written off during the year | - | (18,032) |
| **At 31 December** | **1,960,887** | 1,796,964 |

Investment properties are located in United Arab Emirates.

During 2011, the Group has accounted for remaining portion of the land granted as deferred Government Grant at an aggregate value of AED 571 million with a corresponding increase to investment properties and trading properties under development. Furthermore, during 2016, an amount of AED 85.8 million was accounted as fair value increase (non cash transaction) pertaining to the above land granted by Government and deferred Government grant increased to AED 657 million. 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 2016 by an independent valuer. The Board of Directors have reviewed the valuer's report and accordingly, considered increase in fair value of AED 173 million (2015: AED 158 million) which was recognised in the deferred Government grant at AED 85 million profit and loss at AED 88 million.

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 7. Investment properties under development

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| At 1 January | **266,538** | 267,016 |
| Cost incurred | **28,761** | 1,192 |
| Transferred to property and equipment (Note 5) | **-** | (1,670) |
| At 31 December | **295,299** | 266,538 |

The investment properties under development have been valued as at 31 December 2016 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 2016.

Investment properties under development are located in United Arab Emirates.

## 8. Trading properties under development

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| At 1 January | **864,199** | 884,628 |
| Cost incurred | **131,371** | 149,559 |
| Write off during the year | **-** | (15,182) |
| Write down to net realisable value | **(454)** | - |
| Cost of properties sold | **(88,512)** | - |
| Transferred to trading properties (Note 11) | **(62,127)** | (131,164) |
| Transferred to property and equipment (Note 5) | **(21,494)** | (23,642) |
| At 31 December | **822,983** | 864,199 |
| Inside U.A.E. | **805,949** | 846,711 |
| Outside U.A.E. | **17,034** | 17,488 |
| | **822,983** | 864,199 |
| *Classified as:* | | |
| Non-current assets | **654,093** | 864,199 |
| Current assets | **168,890** | - |
| | **822,983** | 864,199 |

During the year, based on an independent valuation of net realisable value of trading properties under development, Board of Directors have decided a write down to realisable value amounting to AED 454 thousands (2015: Nil).

## 9. Investments

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| ***Non-current investments*** | | |
| *Available-for-sale* | | |
| Private equity investments | **371,265** | 380,475 |
| Real estate fund | **277,241** | 268,025 |
| Available-for-sale | **648,506** | 648,500 |
| Held to maturity investment | **8,270** | 8,270 |
| | **656,776** | 656,770 |
| Less: provision for impairment | **(387,751)** | (374,316) |
| | **269,025** | 282,454 |
| ***Current investments*** | | |
| At fair value through profit or loss | **39,333** | 33,393 |

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

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| ***Non-current investments*** | | |
| ***Available-for-sale*** | | |
| *Investments within United Arab Emirates* | | |
| Unquoted private equity investments | **241,136** | 250,346 |
| Unquoted funds | **15,256** | 15,256 |
| | **256,392** | 265,602 |
| *Investments outside United Arab Emirates* | | |
| Unquoted private equity investments | **130,129** | 130,129 |
| Unquoted funds | **261,985** | 252,769 |
| | **392,114** | 382,898 |
| Gross value for non-current investments | **648,506** | 648,500 |
| ***Held to maturity investment*** | | |
| Unquoted debt instrument placed outside United Arab Emirates | **8,270** | 8,270 |
| | **656,776** | 656,770 |
| Less: Provision for impairment | **(387,751)** | (374,316) |
| Total non-current investments | **269,025** | 282,454 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

**9. Investments** (continued)

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

| | 2016<br>AED '000 | 2015<br>AED '000 |
|---|---|---|
| ***Current investments – FVTPL*** | | |
| Quoted equity securities inside U.A.E. | **28,226** | 24,542 |
| Unquoted investments outside U.A.E. | **11,107** | 8,851 |
| | **39,333** | 33,393 |

Movement in provision for impairment is set out below:

| | | |
|---|---|---|
| At 1 January | **374,316** | 310,679 |
| Provisions made during the year | **17,385** | 63,637 |
| Provision no longer required written back | **(3,950)** | - |
| At 31 December | **387,751** | 374,316 |

A net increase in fair value of investments at fair value through profit and loss of AED 5.7 million (2015: decrease by AED 1.2 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 valuer. The Board of Directors have reviewed the above report of the independent valuer and have considered an amount of AED 17 million as impairment loss for the year ended 31 December 2016 (2015: AED 64 million).

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 10. Advances

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Advances | **174,450** | 190,807 |
| Less: provision for impairment | **(30,375)** | (29,250) |
| | **144,075** | 161,557 |
| *Classified as:* | | |
| Non-current assets | **77,573** | 78,697 |
| Current assets | **66,502** | 82,860 |
| | **144,075** | 161,557 |

Advances include:

*(a)* An amount of AED 48 million (net of impairment) 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.

## 11. Trading properties

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| At 1 January | **439,104** | 513,224 |
| Transferred from investment property (Note 6) | **9,654** | - |
| Transferred from tranding property under development (Note 8) | **62,127** | 131,164 |
| Cost of properties sold | **(156,698)** | (205,284) |
| At 31 December | **354,187** | 439,104 |

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 (2015: Nil).

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

## 12. Trade and other receivables

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Trade receivables | **144,107** | 118,938 |
| Due from customers on contracts for sale of properties | **121,636** | - |
| Other receivables | **66,737** | 40,577 |
| | **332,480** | 159,515 |
| Receivables due after one year | **(69,616)** | (59,394) |
| Receivables due within one year | **262,864** | 100,121 |

Trade receivables as at 31 December 2016, includes notes receivable – post dated cheques amounting to AED 109.8 million (2015 : AED 97.6 million)

Other receivables includes due on account of rental and facility management fee amounting to AED 18 million (2015: AED Nil).

The Board of Directors have performed the impairment test on trade and other receivables and have charged AED 3.9 million to profit or loss during the year ended 31 December 2016 (2015: Nil). Management is of the view that significant portion of trade and other receivables are not past due.

**Contracts with customers for sale of properties**

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Amount due from customers included in trade receivables | **121,636** | - |
| Total contract cost incurred plus recognised profit less recognised losses to date | **179,715** | - |
| Less: total progress billing to date | **(58,079)** | |
| | **121,636** | - |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 13. Bank balances and cash

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Cash in hand | 4 | 20 |
| Bank balances: | | |
| Current accounts | 719 | 8,436 |
| Current accounts – unclaimed dividends (see Note 20) | 52,754 | 57,590 |
| Call accounts | 3,871 | 2,823 |
| Term deposits | 265,000 | 250,000 |
| | 322,348 | 318,869 |

Bank balances and cash include term deposits amounting to AED 265 million (2015: 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 2% to 2.5% per annum (2015: 1.85% to 2 % per annum).

Term deposit amounting to AED 265 million is under lien against bank overdraft facility. At 31 December 2016, outstanding balance in the bank overdraft is AED 141 million (2015: AED Nil) (Note 19).
Current accounts – unclaimed dividends should be utilised only for the payment of dividend and should not be used for any other purposes.
Bank balances and cash are maintained in United Arab Emirates.

## 14. Share capital

The authorised issued and fully paid up share capital of the Company is AED 2 billion (2015: AED 2 billion) divided into 2 billion shares with par value of AED 1 each.

## 15. Statutory reserve

In accordance with UAE Federal Law No. (2) of 2015, and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve till the reserve reaches 50% of Company's paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. No transfer was made to statutory reserve for the year ended 31 December 2016 as the balance in the reserve has reached 50% of Company's paid up share capital.

## 16. General reserve

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

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 17. Provision for employees' end of service indemnity

Movement in the net liabilities were as follows:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Balance at the beginning of the year | **3,669** | 3,148 |
| Charge for the year | **676** | 685 |
| Amount paid | **(200)** | (164) |
| Balance at the end of the year | **4,145** | 3,669 |

## 18. Advances from customers

Advances from customers represent the amounts received in accordance with the payment plans from sale of trading properties currently under development and trading properties (total net sales for the year ended 31 December 2016 –AED 78 million) (2015: AED 270 million).

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 989 thousands (2015: AED 22 million) for not fulfilling the payment obligation by certain customers after getting necessary legal advice.

## 19. Borrowings

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| ***Current liabilities*** | | |
| Term loan | **-** | 91,850 |
| Bank overdraft | **140,812** | - |
| | **140,812** | 91,850 |

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.

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

## 20. Trade and other payables

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Trade payables | **116,726** | 98,076 |
| Project accruals | **49,709** | 47,454 |
| Unclaimed dividends (see Note 13) | **52,754** | 57,590 |
| Other payables and accruals | **93,185** | 66,198 |
| | **312,374** | 269,318 |

## 21. Revenue

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Sale of properties | **337,494** | 295,971 |
| Forfeiture income (see Note 18) | **989** | 22,080 |
| Facility management fee | **27,020** | 24,234 |
| Rental income | **24,093** | 25,517 |
| | **389,596** | 367,802 |

## 22. Cost of revenue

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Cost of sale of properties | **(219,628)** | (205,284) |
| Facility management and rental expenses | **(30,952)** | (27,943) |
| | **(250,580)** | (233,227) |

## 23. General and administrative expenses

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Staff costs | **(19,952)** | (19,884) |
| Advertisement and marketing expenses | **(6,112)** | (4,783) |
| Depreciation | **(11,081)** | (10,670) |
| Other expenses | **(15,697)** | (4,626) |
| | **(52,842)** | (39,963) |

**Notes to the consolidated financial statements for the year ended 31 December 2016(continued)**

## 24. Finance income and expenses

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Finance income | **5,891** | 5,141 |
| Interest expense on borrowings | **(3,610)** | (3,834) |
| Exchange loss | **-** | (2) |
| Finance expenses | **(3,610)** | (3,836) |

## 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:

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| Term deposits | **250,000** | 250,000 |
| Term loan | **-** | (91,850) |
| (Overdraft)/current account with bank -net | **(140,702)** | 7,378 |

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

| | 2016 AED '000 | 2015 AED '000 |
|---|---|---|
| **Key management remuneration:** | | |
| Salaries and benefits | **8,586** | 8,439 |
| End of service benefits | **326** | 351 |
| | **8,912** | 8,790 |
| Directors sitting fees | **865** | 1,360 |
| Directors remuneration | **3,500** | 3,000 |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

## 25. Related party transactions (continued)

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| **Transactions:** | | |
| Interest income on term deposits | **5,330** | 4,412 |
| Interest expenses on term loan | **682** | 4,610 |
| Interest expense on overdraft | **3,534** | 982 |

### Other related party transactions

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

## 26. Basic earnings per share

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Profit for the year (in AED '000) | **174,814** | 160,095 |
| Number of shares (in '000) | **2,000,000** | 2,000,000 |
| **Basic earnings per share (in AED)** | **0.09** | 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

| | **2016 AED '000** | 2015 AED '000 |
|---|---|---|
| Bank balances and cash | **322,348** | 318,869 |
| Current accounts – unclaimed dividends | **(52,754)** | (57,590) |
| Term deposits with maturity more than three months - under lien | **(265,000)** | (250,000) |
| | **4,594** | 11,279 |

## 28. Commitments and contingent liabilities

Commitments relating to the property development are as follows:

| | **2016** **AED '000** | 2015 AED '000 |
|---|---|---|
| Approved and contracted | **142,090** | 180,492 |

The Group has a legal case with one of the contractor and an arbitrational tribunal has been constituted. 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 2015.

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 2016 (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 2016** | | | | | | |
| Property and equipment | - | - | - | - | 446,666 | 446,666 |
| Investment properties | - | - | - | - | 1,960,887 | 1,960,887 |
| Investment properties under development | - | - | - | - | 295,299 | 295,299 |
| Trading properties under development | - | - | - | - | 822,983 | 822,983 |
| Investments | - | 1,385 | 39,333 | 267,640 | - | 308,358 |
| Advances | 28,263 | - | - | - | 115,812 | 144,075 |
| Trading properties | - | - | - | - | 354,187 | 354,187 |
| Trade and other receivables | 331,507 | - | - | - | 973 | 332,480 |
| Bank balances and cash | 322,348 | - | - | - | - | 322,348 |
| **Total assets** | **682,118** | **1,385** | **39,333** | **267,640** | **3,996,807** | **4,987,283** |

| Equity and liabilities | Financial instruments AED '000 | Non-financial instruments AED '000 | Total AED '000 |
|---|---|---|---|
| **31 December 2016** | | | |
| Equity | - | 3,850,874 | 3,850,874 |
| Provision for employees' end of service indemnity | - | 4,145 | 4,145 |
| Borrowings | 140,812 | - | 140,812 |
| Deferred government grants | - | 656,756 | 656,756 |
| Advance received from customers | - | 22,322 | 22,322 |
| Trade and other payables | 312,374 | - | 312,374 |
| **Total equity and liabilities** | **453,186** | **4,534,097** | **4,987,283** |

**Notes to the consolidated financial statements for the year ended 31 December 2016 (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 2015 | | | | | | |
| Property and equipment | - | - | - | - | 432,390 | 432,390 |
| Investment properties | - | - | - | - | 1,796,964 | 1,796,964 |
| Investment properties under development | - | - | - | - | 266,538 | 266,538 |
| Trading properties under development | - | - | - | - | 864,199 | 864,199 |
| Investments | - | 2,770 | 33,393 | 279,684 | - | 315,847 |
| Advances | 27,615 | - | - | - | 133,942 | 161,557 |
| Trading properties | - | - | - | - | 439,104 | 439,104 |
| Trade and other receivables | 158,506 | - | - | - | 1,009 | 159,515 |
| Bank balances and cash | 318,869 | - | - | - | - | 318,869 |
| Total assets | 504,990 | 2,770 | 33,393 | 279,684 | 3,934,146 | 4,754,983 |

| Equity and liabilities | Financial instruments | Non-financial instruments | Total |
|---|---|---|---|
| 31 December 2015 | AED '000 | AED '000 | AED '000 |
| Equity | - | 3,752,076 | 3,752,076 |
| Provision for employees' end of service indemnity | - | 3,669 | 3,669 |
| Borrowings | 91,850 | - | 91,850 |
| Deferred government grants | - | 570,902 | 570,902 |
| Advance received from customers | - | 67,168 | 67,168 |
| Trade and other payables | 269,318 | - | 269,318 |
| Total equity and liabilities | 361,168 | 4,393,815 | 4,754,983 |

**Notes to the consolidated financial statements for the year ended 31 December 2016 (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 2016, bank deposits carried interest rates ranging from 1.85% to 2% per annum (2015: 1.85% to 2% per annum). The interest rates on borrowings are linked to three month USD LIBOR plus floating interest rate of 4.95% per annum (2015: 4.95% 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 2016 (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, trade and other receivables which mature after one year (see Note 9 and 12).

## 31. Fair value measurements

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

*Fair value of financial instruments carried at amortised cost*

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

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

**31. Fair value measurements** (continued)

*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 2015.

*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 2016 AED'000** | 31 December 2015 AED'000 | **Fair value hierarchy** | **Valuation techniques and key inputs** | **Significant unobservable input** | **Relationship of unobservable inputs to fair value** |
| **Available for sale** | | | | | | |
| Unquoted private equity investments and funds | **126,640** | 129,684 | Level 3 | Net assets/ adjusted net asset value valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. wherever information is available. | Net assets value/ Market approach | Higher the net assets value of the investees, higher the fair value. |
| Unquoted private equity investments and funds | **141,000** | 150,000 | Level 2 | | | |
| **Financial assets at FVTPL** | | | | | | |
| Quoted equity securities | **28,226** | 24,542 | Level 1 | Quoted bid prices in an active market. | None | NA |
| Unquoted investments | **11,107** | 8,851 | Level 3 | Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. Market approach is applied wherever information is available. | Net assets value | Higher the net assets value of the investees, higher the fair value. |

**Notes to the consolidated financial statements**
**for the year ended 31 December 2016 (continued)**

**31. Fair value measurements** (continued)

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

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

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

**31 December 2016**

| | Level 1<br>AED '000 | Level 2<br>AED '000 | Level 3<br>AED '000 | Total<br>AED '000 |
|---|---|---|---|---|
| **Available-for-sale** | | | | |
| Unquoted equities and funds | - | **141,000** | **126,640** | 267,640 |
| **Financial assets carried at FVTPL** | | | | |
| Assets held for trading | 28,226 | - | 11,107 | 39,333 |
| Investment properties | - | - | 1,960,887 | 1,960,887 |
| Investment properties under development | - | - | 295,299 | 295,299 |
| | **28,226** | **141,000** | **2,393,933** | **2,563,159** |

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

## 31. Fair value measurements (continued)

31 December 2015

| | Level 1 AED '000 | Level 2 AED '000 | Level 3 AED '000 | Total AED '000 |
|---|---|---|---|---|
| Available-for-sale | | | | |
| Unquoted equities and funds | - | 150,000 | 129,684 | 279,684 |
| Financial assets carried at FVTPL | | | | |
| Assets held for trading | 24,542 | - | 8,851 | 33,393 |
| Investment properties | - | - | 1,796,964 | 1,796,964 |
| Investment properties under development | - | - | 266,538 | 266,538 |
| | 24,542 | 150,000 | 2,202,037 | 2,376,579 |

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 (2015: AED 100 million, AED 5 fils per share) to be paid to the Shareholders for the year 2016. The Directors also propose the Board of Directors' remuneration of AED 5 million (2015: AED 3.5 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 19 March 2016, the shareholders approved cash dividend of 5% amounting to AED 100 million (AED 5 fils per share) for the year ended 31 December 2015 (2014: 5%, AED 100 million). Shareholders also approved the Board of Directors' remuneration of AED 3.5 million for the year ended 31 December 2015 (2014: AED 3 million).

**Notes to the consolidated financial statements for the year ended 31 December 2016 (continued)**

## 33. Impact of IFRS 15 adoption

The Group had opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the year ended 31 December 2016. Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2016 in the form of an adjustment to the opening balance of retained earnings as at that date.

Adjustments to the opening consolidated statement of financial position are detailed below:

| | 31 December 2015 AED'000 | Adjustments/ reclassification AED'000 | 1 January 2016 AED'000 |
|---|---|---|---|
| **Assets** | | | |
| Trading properties under development | 864,199 | (23,017) | 841,182 |
| Trading properties | 439,104 | (4,184) | 434,920 |
| Trade and other receivables | 100,121 | 16,786 | 116,907 |
| **Liabilities** | | | |
| Advance from customers (Non-current) | 59,955 | (30,263) | 29,692 |
| **Shareholders' equity** | | | |
| Retained earnings | 205,814 | 19,848 | 225,662 |

Adjustments to the consolidated statement of income for the year are detailed below:

| | As per IFRS 15 AED'000 | As per old policy AED'000 | Impact due to change AED'000 |
|---|---|---|---|
| Revenue | 389,596 | 256,931 | 132,665 |
| Cost of sales | (250,580) | (187,651) | (62,929) |
| Gross profit for the year | 139,016 | 69,280 | 69,736 |

## 34. Approval of the consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2017.