رأس الخيمة العقارية
RAKPROPERTIES

Ref:
Date: 15th February 2018

المرجع:
التاريخ ٢٠١٨/٠٢/١٥

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

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

Dear Sir:

تحية طيبة وبعد،،،

Subject: Results of RAK Properties BOD Meeting held on 15th February 2018

الموضـــوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ ٢٠١٨/٠٢/١٥

Pursuant to our letter dated 11th February 2018 , we would like to inform you that the company's BOD held its meeting at 9:30 am on Thursday , 15th of February 2018 , 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 2018/2/11 نرجوا التكرم بالاحاطة بأن مجلس الادارة قد إجتمع في تمام الساعة التاسعة والنصف صباحاً وذلك يوم الخميس الموافق ٢٠١٨/٢/١٥برأس الخيمة ، حيث تم مناقشة البنود المدرجة على جدول الأعمال ، وفيما يلى نتائج الاجتماع:

Approval of the reviewed financial statements for the year ended on 31st of December 2017 (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 ٣١ ديسمبر ٢٠١٧ (مرفق نسخة عنها طيا بالإضافة إلى تقرير مجلس الإدارة)

The BOD has suggested to distribute dividends of 5% in cash of the financial year ending on 2017 subject to the approval of the AGM

اقترح المجلس توزيع أرباح بنسبة ٥% كأرباح نقدية عن السنة المنتهية فى ٣١ ديسمبر ٢٠١٧ ليتم عرضه على الجمعية العمومية لاتخاذ القرار المناسب.

.
Approval of the AGM agenda and fixing 10th of March 2018 as a date of convening the AGM, if the quorum is not present on this date, the second meeting will be convened on the 17th of March 2018 subject to the approval from the competent authorities.

اعتماد تحديد موعد عقد الجمعية العمومية العادية لمساهمى الشركة وذلك بتاريخ ١٠ مارس ٢٠١٨ وفي حال عدم اكتمال النصاب القانوني لهذا الاجتماع فسيتم عقد الاجتماع الثاني بتاريخ ١٧ مارس ٢٠١٨ 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 الاحترام

Mohammed Sultan Al Qadi
Managing Director &CEO

محمد سلطان القاضي
العضو المنتدب / الرئيس التنفيذي

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

RAKPROPERTIES

رأس الخيمة العقارية

DIRECTORS REPORT FOR THE YEAR ENDED 31ST DECEMBER 2017

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 2017.

During 2017, RAK Properties achieved a revenue of AED 313 million (2016 AED 390 million) and net operating profit of AED 192 million (2016 AED 175 million).

AED '000

Income Statement	31st Dec. 2017	31st Dec. 2016
Revenue	312,930	389,596
Cost of Revenue	(158,138)	(250,580)
Gross Profit	154,792	139,016
Profit for the period	**191,817**	**174,814**
Balance Sheet	**31st Dec. 2017**	**31st Dec. 2016**
Non current Assets	3,976,437	3,773,159
Current Assets	1,183,322	1,214,124
Total Assets	**5,159,759**	**4,987,283**
Non current Liabilities	652,755	680,780
Current Liabilities	583,637	455,629
Total Equity	3,923,367	3,850,874
Total Equity & Liabilities	**5,159,759**	**4,987,283**

Project Completed and handed over in 2017

During the year, RAK Properties handed over the keys for the Bermuda Villas, in the Mina Al Arab Flagship Project, Ras Al Khaimah.

Hospitality Projects:

- **Anantara Hotel Resort**
  A 306-room resort is under construction and expected to open late 2019. Anantara Mina Al Arab Ras Al Khaimah Resort will feature the emirate's first Maldivian inspired overwater villas complex overlooking the stunning eco-reserves.

- **Intercontinental Hotel & Resort**
  An internationally renowned hotel group to operate the 350-room, 5star luxury hotel & resort, is in progress, the operation is expected to start by end of 2019.

Residential Projects:

RAK Properties launched the following residential projects during 2017

1. Gateway Residence in Mina Al Arab
2. North Bay Residence in Mina Al Arab

Julphar Residence Al Reem Island, Abu Dhabi is under construction and this project will be released for sales in 2018.

Dividend Payment:
During the year RAKP distributed the dividend for the year 2016

Other Business:
During the year RAKP settled the outstanding dispute with one of its contractor.

Mohammad Sultan Al Qadi
Managing Director and CEO

PO. Box 31113, Ras Al Khaimah, UAE, Tel +971 7 2284777, Fax +971 7 2272444

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

Consolidated financial statements
and independent auditor's report
for the year ended 31 December 2017

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

Contents

رأس الخيمة العقارية
RAK PROPERTIES

Dear Shareholders,

The Board of Directors of RAK Properties PJSC has pleasure in submitting the consolidated financial statements for the year ending 31st December 2017.

Principal Activities: The principal activities of RAK Properties ended 31st December 2017 continue to invest in management and development of its real estate assets, property / facility management, leasing and associated services.

Financial result: In 2017, RAK Properties achieved a revenue of AED 313 million (2016 AED 390 million) and net profit of AED 192 million (2016 AED 175million) with an EPS of AED 0.10 (AED 0.09 in 2016). The total assets of the Company as at 31st December 2017 is AED 5.16 billion (AED 4.99 billion in 2016).

Operational Achievements: RAK Properties handed over the Bermuda Villas in the Mina Al Arab, Ras Al Khaimah. A 306-room Anantara Mina Al Arab Ras Al Khaimah resort is under construction and expected to open late 2019. This resort will feature the emirate's first Maldivian inspired overwater villas complex overlooking the stunning eco-reserves.

A 350 room Intercontinental luxury hotel, Ras Al Khaimah is under construction in our prestigious development Mina Al Arab and expected to open for operation by the end of 2019, both the hotels have unique concepts to fascinate diverse guest groups from all over the world. These two properties in our asset portfolio is a step towards generating hospitality revenue. During the year RAK Properties launched two residential projects viz., Gateway Residence and North Bay Residence in the Mina Al Arab Project, Ras Al Khaimah. Further, a residential tower in Reem Island, Abu Dhabi is under construction which will be launched during 2018.

Outlook 2018

Outlook for the year 2018 is receptive for real estate development. The role of Ras Al Khaimah tourism department in encouraging the tourist arrivals in the emirates of Ras Al Khaimah greatly helps the hotel occupancy. The growth in the occupancy rate is a positive factor to consider develop hospitality assets in Ras Al Khaimah. Further, it is worthwhile to mention that RAK Properties updated the Corporate Business plan with the assistance of PWC. The key recommendation of the Corporate business plan will be implemented according to the timeline subject to suitable market conditions.

رأس الخيمة العقارية
RAKPROPERTIES

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
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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Deloitte.

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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 2017, 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key Audit Matters

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

Cont'd...

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

Key Audit Matters (continued)

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

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

Deloitte.

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

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; and

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

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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RAK PROPERTIES P.J.S.C. (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 2017;

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 2017 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 2017.

Deloitte & Touche (M.E.)

Signed by:
Samir Madbak
Registration No. 386
15 February 2018
Sharjah, United Arab Emirates

Consolidated statement of financial position
At 31 December 2017

	Notes	2017 AED '000	2016 AED '000
ASSETS			
Non-current assets			
Property and equipment	5	577,771	446,666
Investment properties	6	2,023,147	1,960,887
Investment properties under development	7	279,720	295,299
Trading properties under development	8	610,092	654,093
Investments	9	245,961	269,025
Advances	10	18,228	77,573
Trade and other receivables	12	221,518	69,616
Total non-current assets		3,976,437	3,773,159
Current assets			
Trading properties under development	8	13,924	168,890
Inventories		771	-
Investments	9	33,243	39,333
Advances	10	75,487	66,502
Trading properties	11	499,969	354,187
Trade and other receivables	12	207,307	262,864
Bank balances and cash	13&27	352,621	322,348
Total current assets		1,183,322	1,214,124
Total assets		5,159,759	4,987,283

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

Consolidated statement of financial position
At 31 December 2017 (continued)

	Notes	2017 AED '000	2016 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	**576,826**	557,644
Cumulative changes in fair value of available – for-sale investments		**(589)**	13,735
Retained earnings		**347,130**	279,495
Total equity		**3,923,367**	3,850,874
Non-current liabilities			
Provision for employees' end of service indemnity	17	**4,788**	4,145
Deferred government grants	6	**614,115**	656,756
Advances from customers	18	**19,284**	19,879
Borrowings	19	**14,568**	-
Total non-current liabilities		**652,755**	680,780
Current liabilities			
Advances from customers	18	**10,164**	2,443
Borrowings	19	**338,012**	140,812
Trade and other payables	20	**235,461**	312,374
Total current liabilities		**583,637**	455,629
Total liabilities		**1,236,392**	1,136,409
Total equity and liabilities		**5,159,759**	4,987,283

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 2017

	Notes	2017 AED'000	2016 AED'000
Revenue	21	312,930	389,596
Cost of revenue	22	(158,138)	(250,580)
Gross profit		154,792	139,016
Other operating income – net		15,557	5,244
General and administrative expenses	23	(62,195)	(52,842)
Gain on changes in fair value of investment properties, release of deferred income, write off of investment properties and trading properties under development	6 &8	104,901	87,723
Write down of trading properties under development to net realisable value	8	(8,635)	(454)
Operating profit		204,420	178,687
Gain on sale of investments		4,670	9,611
Provision for impairment on investments	9	(10,208)	(17,385)
Write off/provision for impairment on advances and other receivables		(7,345)	(5,100)
Net change in fair value of investments at fair value through profit or loss	9	(6,090)	5,740
Dividend income		1,081	980
Finance income	24	7,667	5,891
Finance expenses	24	(2,378)	(3,610)
Profit for the year		191,817	174,814
Basic earnings per share for the year (AED)	26	0.10	0.09

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

Consolidated statement of comprehensive income for the year ended 31 December 2017

	2017 AED'000	2016 AED'000
Profit for the year	**191,817**	174,814
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
(Decrease)/increase in fair value of available-for-sale Investments	**(14,324)**	7,636
Other comprehensive (loss)/income for the year	**(14,324)**	7,636
Total comprehensive income for the year	**177,493**	182,450

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

Consolidated statement of changes in equity for the year ended 31 December 2017

	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 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 for the year	-	-	-	7,636	-	7,636
Total comprehensive income for the year	-	-	-	7,636	174,814	182,450
Transfer to general reserve (Note 16)	-	-	17,481	-	(17,481)	-
Board of Directors' remuneration	-	-	-	-	(3,500)	(3,500)
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
Profit for the year	-	-	-	-	191,817	191,817
Other comprehensive loss for the year	-	-	-	(14,324)	-	(14,324)
Total comprehensive income for the year	-	-	-	(14,324)	191,817	177,493
Transfer to general reserve (Note 16)	-	-	19,182	-	(19,182)	-
Board of Directors' remuneration	-	-	-	-	(5,000)	(5,000)
Dividend paid (Note 32)	-	-	-	-	(100,000)	(100,000)
Balance at 31 December 2017	**2,000,000**	**1,000,000**	**576,826**	**(589)**	**347,130**	**3,923,367**

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

Consolidated statement of cash flows
for the year ended 31 December 2017

	2017 AED '000	2016 AED '000
Cash flows from operating activities		
Profit for the year	**191,817**	174,814
Adjustments for:		
Depreciation of property and equipment	**12,299**	11,081
Finance (income)/expense –*(net)*	**(5,289)**	(2,281)
Dividend income	**(1,081)**	(980)
Net change in fair value of investments at fair value through profit or loss	**6,090**	(5,740)
Write off/ provision for trade and other receivables	**3,970**	3,975
Gain on sale of investments	**(4,670)**	(9,611)
Write off/ provision for impairment on investments and advances – *(net)*	**13,583**	18,510
Gain on changes in fair value of investment properties	**(62,260)**	(87,723)
Write down of trading properties under development to net realisable value	**8,635**	454
Government grants	**(42,641)**	-
Loss on disposal of property and equipment	**436**	-
Provision for employees' end of service indemnity	**940**	676
Operating cash flows before changes in operating assets and liabilities	**121,829**	103,175
Decrease in trading properties – *(net)*	**122,241**	152,514
Increase in trading properties under development - *(net)*	**(92,515)**	(64,865)
Increase in trade and other receivables	**(99,695)**	(167,628)
Decrease in advances	**1,985**	16,357
(Decrease)/increase in trade and other payables	**(72,148)**	53,112
Increase in inventories	**(771)**	-
Increase/(decrease) in advances from customers	**7,126**	(6,850)
Cash (used in)/generated from operating activities	**(11,948)**	85,815
Employees' end of service indemnity paid	**(297)**	(200)
Net cash (used in)/generated from operating activities	**(12,245)**	85,615

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

Consolidated statement of cash flows
for the year ended 31 December 2017 (continued)

	2017 AED '000	2016 AED '000
Cash flows from investing activities		
Purchase of property and equipment	(1,325)	(3,863)
Interest income received	7,047	5,632
Dividend income received	1,081	980
Additions to investments	-	(200)
Proceeds from disposal of property and equipment	7	-
Proceeds from disposal of investments	3,202	13,286
Increase in term deposit	(35,000)	(15,000)
Additions to investment properties under development	(60,646)	(28,761)
Net cash used in investing activities	(85,634)	(27,926)
Cash flows from financing activities		
Dividend paid	(102,382)	(104,836)
Increase/(decrease) in term loan	24,568	(91,850)
Increase in bank overdraft	187,200	140,812
Board of Directors' remuneration	(5,000)	(3,500)
Interest paid	(8,852)	(5,000)
Net cash generated from/(used in) financing activities	95,534	(64,374)
Net decrease in cash and cash equivalents	(2,345)	(6,685)
Cash and cash equivalents at the beginning of the year	4,594	11,279
Cash and cash equivalents at the end of the year (Note 27)	2,249	4,594

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

Notes to the consolidated financial statements for the year ended 31 December 2017

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 IFRS, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in the 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.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses.
- 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.
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of Interests in Other Entities.

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 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (2011).	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019

Notes to the consolidated financial statements for the year ended 31 December 2017 (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
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019
Amendments to IFRS 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
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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 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 17 *Insurance Contracts*	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	
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.	
<u>Impact assessment of IFRS 16 Leases</u>	
A preliminary assessment indicates that this standard will not have a significant impact on the Group's financial statements as and when adopted.	
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

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) (a)	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.

Notes to the consolidated financial statements for the year ended 31 December 2017 (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 IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019

Impact assessment of IFRS 9 Financial Instruments

Based on an analysis of the Group's consolidated financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Classification and measurement:

At 31 December 2017, the Group had equity investments classified as available- for-sale with a fair value of AED 245,271 thousand (net) that are held for long-term strategic purposes. Under IFRS 9, the Group will designate these investments as measured at FVTOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The impairment loss recognized in earlier years (note 9) will be transferred to cumulative changes in fair value of available – for- sale investments from retained earnings with no impact on net equity of the Group.

Impairment:

Based on 31 December 2017 data, the Group has performed a preliminary assessment of potential impact of adopting IFRS 9 in relation to impairment requirements for the financial instruments as at the date of initial application of IFRS 9 (1 January 2018). The Group estimates the adoption of IFRS 9 will not have significant impact on the Group's financial statements.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group until the Group presents its first consolidated financial statements that include the date of initial application.

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, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

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

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:

3.3 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.

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

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

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

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

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

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

3.4 Subsidiaries

Details of the Company's subsidiaries at 31 December 2017 are as follows:

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

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

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

3. Summary of significant accounting policies (continued)

3.5 Business combination

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

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

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

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

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

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.

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

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

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

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

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

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

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

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

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.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

3. Summary of significant accounting policies (continued)

3.10 Property and equipment

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

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

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

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

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

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

3.11 Investment properties

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

3.12 Investment properties under development

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

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

3. Summary of significant accounting policies (continued)

3.13 Trading properties under development

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

3.14 Trading properties

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

3.15 Impairment of tangible assets

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

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

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

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

3. Summary of significant accounting policies (continued)

3.16 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

3.17 Employee benefits

3.17.1 Defined contribution plan

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

3.17.2 Leave passage

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

3.17.3 Provision for employees' end of service indemnity

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

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

3.18 Financial instruments

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.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

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 2017 (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.

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.

Management has considered an amount of AED 10.20 million (2016: AED 17 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.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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 2017 (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 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)	19,190	2,304	-	-	-	-	21,494
31 December 2016	241,571	214,378	4,351	7,169	1,019	36,122	504,610
Additions during the year	-	803	64	434	24	-	1,325
Disposals during the year		-	-	(647)	(50)	-	(697)
Transfers (Note 7 and 8)	39,163	37,461	-	-	-	65,898	142,522
31 December 2017	**280,734**	**252,642**	**4,415**	**6,956**	**993**	**102,020**	**647,760**
Accumulated depreciation							
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
Charge for the year	-	10,951	309	951	88	-	12,299
Eliminated on disposals	-	-	-	(204)	(50)	-	(254)
31 December 2017	-	**59,751**	**4,277**	**5,099**	**862**	-	**69,989**
Carrying amount							
31 December 2017	**280,734**	**192,891**	**138**	**1,857**	**131**	**102,020**	**577,771**
31 December 2016	241,571	165,578	383	2,817	195	36,122	446,666

5. Property and equipment (continued)

At 31 December 2017 the cost of fully depreciated property and equipment that was still in use amounted to AED 7,526 thousands (2016: AED 7,187 thousands).

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

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

The management has reassessed the use of certain investment properties under development and trading properties under development. In the view of the Board of Directors, these properties with a cost of AED 142,522 thousands (2016: AED 21,494 thousands) 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

	2017 AED '000	2016 AED '000
At 1 January	**1,960,887**	1,796,964
Change in fair value - *(net)*	**62,260**	173,577
Transferred to trading properties (Note 11)	**-**	(9,654)
At 31 December	**2,023,147**	1,960,887

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.

During the year, the Group management upon fulfilment of the conditions stipulated by Government, has released deferred Government Grant amounting to AED 42.64 million to the consolidated statement of income.

Investment properties have been valued as at 31 December 2017 by an independent valuer. The Board of Directors have reviewed the valuer's report and accordingly, considered increase in fair value of AED 62 million (2016: AED 173 million) which was recognised in the consolidated statement of income.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

7. Investment properties under development

	2017 AED '000	2016 AED '000
At 1 January	**295,299**	266,538
Cost incurred	**60,646**	28,761
Transferred to trading property under development (Note 8)	**(10,327)**	-
Transferred to property and equipment (Note 5)	**(65,898)**	-
At 31 December	**279,720**	295,299

The investment properties under development have been valued as at 31 December 2017 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 2017.

Investment properties under development are located in United Arab Emirates.

8. Trading properties under development

	2017 AED '000	2016 AED '000
At 1 January	**822,983**	864,199
Cost incurred	**101,807**	131,371
Transferred from investment property under development	**10,327**	-
Transferred from advances	**45,000**	-
Write down to net realisable value	**(8,635)**	(454)
Cost of properties sold	**(2,819)**	(88,512)
Transferred to trading properties (Note 11)	**(268,023)**	(62,127)
Transferred to property and equipment (Note 5)	**(76,624)**	(21,494)
At 31 December	**624,016**	822,983
Inside U.A.E.	**607,490**	805,949
Outside U.A.E.	**16,526**	17,034
	624,016	822,983
Classified as:		
Non-current assets	**610,092**	654,093
Current assets	**13,924**	168,890
	624,016	822,983

During the year, based on an independent valuation of net realisable value of trading properties under development, Board of Directors have decided a write down to net realisable value amounting to AED 8,635 thousands (2016: AED 454 thousands).

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

9. Investments

	2017 AED '000	2016 AED '000
Non-current investments		
Available-for-sale		
Private equity investments	**408,553**	371,265
Real estate fund	**167,050**	277,241
Available-for-sale	**575,603**	648,506
Held to maturity investment	**8,270**	8,270
	583,873	656,776
Less: provision for impairment	**(337,912)**	(387,751)
	245,961	269,025
Current investments		
At fair value through profit or loss	**33,243**	39,333

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

	2017 AED '000	2016 AED '000
Non-current investments		
Available-for-sale		
Investments within United Arab Emirates		
Unquoted private equity investments	**240,723**	241,136
Unquoted funds	**15,256**	15,256
	255,979	256,392
Investments outside United Arab Emirates		
Unquoted private equity investments	**167,830**	130,129
Unquoted funds	**151,794**	261,985
	319,624	392,114
Gross value for non-current investments	**575,603**	648,506
Held to maturity investment		
Unquoted debt instrument placed outside United Arab Emirates	**8,270**	8,270
	583,873	656,776
Less: Provision for impairment	**(337,912)**	(387,751)
Total non-current investments	**245,961**	269,025

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

9. Investments (continued)

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

	2017 AED '000	2016 AED '000
Current investments – FVTPL		
Quoted equity securities inside U.A.E.	**21,974**	28,226
Unquoted investments outside U.A.E.	**11,269**	11,107
	33,243	39,333

Movement in provision for impairment is set out below:

	2017	2016
At 1 January	**387,751**	374,316
Provisions made during the year	**10,208**	17,385
Provision no longer required written back on disposal of investments	**(60,047)**	(3,950)
At 31 December	**337,912**	387,751

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 10 million as impairment loss for the year ended 31 December 2017 (2016: AED 17 million).

10. Advances

	2017 AED '000	2016 AED '000
Advances	**93,715**	174,450
Less: provision for impairment	**-**	(30,375)
	93,715	144,075
Classified as:		
Non-current assets	**18,228**	77,573
Current assets	**75,487**	66,502
	93,715	144,075

Advances include an amount of AED 18 million paid to acquire plots of land in the Emirate of Abu Dhabi.

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

11. Trading properties

	2017 AED '000	2016 AED '000
At 1 January	**354,187**	439,104
Transferred from investment property (Note 6)	**-**	9,654
Transferred from trading property under development (Note 8)	**268,023**	62,127
Cost of properties sold	**(122,241)**	(156,698)
At 31 December	**499,969**	354,187

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 (2016: Nil).

12. Trade and other receivables

	2017 AED '000	2016 AED '000
Trade receivables	**360,393**	144,107
Due from customers on contracts for sale of properties	**325**	121,636
Other receivables	**68,107**	66,737
	428,825	332,480
Receivables due after one year	**(221,518)**	(69,616)
Receivables due within one year	**207,307**	262,864

Trade receivables as at 31 December 2017, include notes receivable – post dated cheques amounting to AED 266 million (2016 : AED 109.8 million)

Other receivables include due on account of rental and facility management fee amounting to AED 27 million (2016: AED 18 million).

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

12. Trade and other receivables (continued)

Contracts with customers for sale of properties

	2017 AED '000	2016 AED '000
Amount due from customers included in trade receivables	**325**	121,636
Total contract cost incurred plus recognised profit less recognised losses to date	**3,160**	179,715
Less: total progress billing to date	**(2,835)**	(58,079)
	325	121,636

13. Bank balances and cash

	2017 AED '000	2016 AED '000
Cash in hand	**9**	4
Bank balances:		
Current accounts	**910**	719
Current accounts – unclaimed dividends (see Note 20)	**50,372**	52,754
Call accounts	**1,330**	3,871
Term deposits	**300,000**	265,000
	352,621	322,348

Bank balances and cash include term deposits amounting to AED 300 million (2016: AED 265 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 2.75% per annum (2016: 2% to 2.5 % per annum). Term deposit amounting to AED 300 million is under lien against bank borrowings.

At 31 December 2017, outstanding balance in the bank overdraft is AED 328 million (2016: AED 141 million) (Note 19).

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

14. Share capital

The authorised issued and fully paid up share capital of the Company is AED 2 billion (2016: 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 2017 as the balance in the reserve has reached 50% of Company's paid up share capital.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

16. General reserve

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

17. Provision for employees' end of service indemnity

Movement in the net liabilities were as follows:

	2017 AED '000	2016 AED '000
Balance at the beginning of the year	**4,145**	3,669
Charge for the year	**940**	676
Amount paid during the year	**(297)**	(200)
Balance at the end of the year	**4,788**	4,145

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 2017 –AED 111 million) (2016: AED 78 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 3,259 thousands (2016: AED 989 thousands) for not fulfilling the payment obligation by certain customers after obtaining necessary legal advice.

19. Borrowings

	2017 AED '000	2016 AED '000
Term loan	**24,568**	-
Bank overdraft	**328,012**	140,812
	352,580	140,812

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

19. Borrowings (continued)

The borrowings are repayable as follows:

	2017 AED '000	2016 AED '000
On demand or within one year	**338,012**	140,812
In the second and subsequent years	**14,568**	-
	352,580	140,812
Less: Amount due for settlement within 12 months from the reporting date (shown under current liabilities)	**(338,012)**	(140,812)
Amount due for settlement after 12 months from the reporting date	**14,568**	-

	2017 AED'000
Balance at the beginning of the year	**140,812**
Movement during the year in borrowings (includes term loans obtained amounting to AED 24,568 thousands)	**211,768**
Balance at the end of the year	**352,580**

The Group obtained overdraft facility of AED 400 million from commercial banks. Interest on overdraft will be computed at 0.50% over the fixed rate up to the fixed deposit amount, and overdraft balance exceeding the deposit balance will be charged at 3 months EIBOR + 3.20% per annum with a minimum interest of 4.25% per annum.

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 300 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.

During the year, the Group has obtained the following loans:

- Term loan of AED 358 million from a commercial bank to finance the construction of the hotel project. This facility is repayable in 28 equal quarterly instalments commencing 3 years from the date of first drawdown and carries an interest rate of 3.40% over 3 months Emirates Interbank Offer Rate (EIBOR). The balance outstanding at 31 December 2017 amounted to AED 3.47 million.
- Term loan of AED 116 million from a commercial bank for the construction of a residential property. This facility is repayable in 6 half yearly instalments commencing 2 years from the date of first drawdown and carries an interest rate of 3.50% over 3 months EIBOR subject to a minimum of 4.50% p.a. The balance outstanding at 31 December 2017 amounted to AED 11.10 million.
- Medium term loan of AED 50 million from a commercial bank to meet the enhanced working capital requirements of the Company. This facility is repayable within 180 days from each tranche and carries an interest rate of 3.20% over 3 months EIBOR subject to a minimum of 4.25% p.a. The balance outstanding at 31 December 2017 amounted to AED 10 million.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

19. Borrowings (continued)

Loans are secured against the following:

- Legal mortgage of land and buildings of specific properties.
- Assignment of Insurance over the mortgaged properties in favour of the bank.
- Assignment of guarantees from the main contractor/construction contracts under the project duly assigned in favour of the bank.
- Assignment of the net of the hotel management fees which should be acknowledged by the Hotel operator.
- Assignment of revenues from sale of apartments and rental revenues from the apartments financed by the bank.
- Pledge of project account opened with the bank for receiving the project receipts from buyers.

20. Trade and other payables

	2017 AED '000	2016 AED '000
Trade payables	**31,136**	116,726
Project accruals	**58,290**	49,709
Unclaimed dividends (see Note 13)	**50,372**	52,754
Other payables and accruals	**95,663**	93,185
	235,461	312,374

21. Revenue

	2017 AED '000	2016 AED '000
Sale of properties	**254,220**	337,494
Forfeiture income (see Note 18)	**3,259**	989
Facility management fee	**28,781**	27,020
Rental income	**25,793**	24,093
Others	**877**	-
	312,930	389,596

22. Cost of revenue

	2017 AED '000	2016 AED '000
Cost of sale of properties	**125,060**	219,628
Facility management and rental expenses	**33,078**	30,952
	158,138	250,580

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

23. General and administrative expenses

	2017 AED '000	2016 AED '000
Staff costs	**21,442**	19,952
Advertisement and marketing expenses	**9,460**	6,112
Depreciation	**12,299**	11,081
Other expenses	**18,994**	15,697
	62,195	52,842

24. Finance income and expenses

	2017 AED '000	2016 AED '000
Finance income	**7,667**	5,891
Finance expenses	**(2,378)**	(3,610)

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:

	2017 AED '000	2016 AED '000
Term deposits	**250,000**	250,000
Term loan	**10,000**	-
Bank overdraft	**(287,054)**	(140,702)

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

	2017 AED '000	2016 AED '000
Key management remuneration:		
Salaries and benefits	**8,637**	8,586
End of service benefits	**268**	326
	8,905	8,912
Directors remuneration	**5,000**	3,500

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

25. Related party transactions (continued)

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

	2017 AED '000	2016 AED '000
Transactions:		
Interest income on term deposits	**6,460**	5,330
Interest expenses on term loan	**55**	682
Interest on bank overdraft	**7,738**	3,534

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

	2017 AED '000	2016 AED '000
Profit for the year (in AED '000)	**191,817**	174,814
Number of shares (in '000)	**2,000,000**	2,000,000
Basic earnings per share (in AED)	**0.10**	0.09

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

	2017 AED '000	2016 AED '000
Bank balances and cash	**352,621**	322,348
Current accounts – unclaimed dividends	**(50,372)**	(52,754)
Term deposits with maturity more than three months - under lien	**(300,000)**	(265,000)
	2,249	4,594

Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)

28. Commitments and contingent liabilities

Commitments relating to the property development are as follows:

	2017 AED '000	2016 AED '000
Approved and contracted	**1,040,011**	142,090

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 2016.

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.

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 2017						
Property and equipment	-	-	-	-	577,771	577,771
Investment properties	-	-	-	-	2,023,147	2,023,147
Investment properties under development	-	-	-	-	279,720	279,720
Trading properties under development	-	-	-	-	624,016	624,016
Investments	-	690	33,243	245,271	-	279,204
Advances	27,143	-	-	-	66,572	93,715
Trading properties	-	-	-	-	499,969	499,969
Inventories	-	-	-	-	771	771
Trade and other receivables	428,371	-	-	-	454	428,825
Bank balances and cash	352,621	-	-	-	-	352,621
Total assets	**808,135**	**690**	**33,243**	**245,271**	**4,072,420**	**5,159,759**

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

30. Financial instruments (continued)

30.2 Categories of financial instruments (continued)

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

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

30. Financial instruments (continued)

30.2 Categories of financial instruments (continued)

Equity and liabilities 31 December 2016	Financial instruments AED '000	Non-financial instruments AED '000	Total AED '000
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

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 2017, bank deposits carried interest rates ranging from 2% to 2.75% per annum (2016: 1.85% to 2% per annum). The interest rates on borrowings are linked to three month EIBOR plus 3.2% or a minimum of 4.95% per annum (2016: 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. Financial instruments (continued)

30.6 Equity price risk

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

30.7 Equity price sensitivity analysis

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

30.8 Foreign currency risk management

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

30.9 Credit risk management

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

The Group's credit risk is primarily attributable to its trade receivables. 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 and borrowings which mature after one year (see Note 9 and 12).

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

31. Fair value measurements

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

Fair value of financial instruments carried at amortised cost

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

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

The 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 2016.

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

31. Fair value measurements (continued)

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

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

Financial assets	Fair value as at 31 December 2017 AED'000	31 December 2016 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	**108,974**	126,640	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	**87,573**	141,000	Level 2			
Quoted equity securities	**48,724**	-	Level 1	Quoted bid prices in an active market.	None	NA
Financial assets at FVTPL						
Quoted equity securities	**21,974**	28,226	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted investments	**11,269**	11,107	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 2017 (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 2017

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

**Notes to the consolidated financial statements
for the year ended 31 December 2017 (continued)**

31. Fair value measurements (continued)

31 December 2016

	Level 1 AED '000	Level 2 AED '000	Level 3 AED '000	Total 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

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 (2016: AED 100 million, AED 5 fils per share) to be paid to the Shareholders for the year 2017. The Directors also propose the Board of Directors' remuneration of AED 6 million (2016: AED 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 18 March 2017, the shareholders approved cash dividend of 5% amounting to AED 100 million (AED 5 fils per share) for the year ended 31 December 2016 (2015: 5%, AED 100 million). Shareholders also approved the Board of Directors' remuneration of AED 5 million for the year ended 31 December 2016 (2015: AED 3.5 million).

Notes to the consolidated financial statements
for the year ended 31 December 2017 (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 15 February 2018.