رأس الخيمة العقارية
RAK PROPERTIES

عام التسامح
YEAR OF TOLERANCE

Ref: RAKP-LD-E-0010-150220-05
Date: 15th February 2020

المرجع: RAKP-LD-E-0010-150220-05
التاريخ: 15 فبراير 2020

Mr. Hamad Al Ali
Head of Listing Companies Dept
Abu Dhabi Securities Exchange Market
Dear Sir:

Subject: Results of RAK Properties BOD Meeting held on 15th February 2020.

This is to inform you that the company's BOD held its first meeting on Saturday, 15th February 2020 at 10:00 am, in the company's Head office in Ras Al Khaimah, and discussed the items set out on the agenda,

The following decisions have been concluded:

1. Approve the audited financial statements for the year 2019.
2. Approved to obtain credit facilities from CBI Bank
3. Proposed to distribute 3% as cash dividends for the shareholders of the company.
4. Proposed to hold the AGM and its agenda
5. Approved the first draft of the corporate governance report.
6. Approved to appoint Dr. Mustafa Al Sheryani as the ninth Board Member in the vacant seat of the Board and bring up to the General Assembly for approval
7. To Inform the AGM regarding the contracts with related parties.
8. Proposed to distribute bonuses for the BOD and the employees of the company.

Best Regards,

Maen Abdol-Kareem
Legal Advisor and Board Secretary

السيد/ حمد العلي المحترم
رئيس إدارة إدراج الشركات
سوق أبو ظبي للأوراق المالية

تحية طيبة وبعد،،،

الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 15 فبراير 2020

نرجوا التكرم بالعلم بأن مجلس الادارة قد اجتمع يوم السبت الموافق 15 فبراير 2020 في تمام الساعة 10:00 صباحاً وذلك بمقر الشركة برأس الخيمة ، حيث تم مناقشة البنود المدرجة على جدول الأعمال.

حيث تم اتخاذ القرارات الآتية:

1. اعتماد البيانات المالية المدققة لعام 2019
2. المصادقة على الحصول على تسهيلات ائتمانية من البنك التجاري الدولي
3. اقتراح توزيع أرباح نقدية على السادة المساهمين للسنة المالية2019 بنسبة 3%.
4. اقتراح موعد اجتماع الجمعية العمومية وجدول أعمالها
5. الموافقة على النسخة المبدئية من تقرير الحوكمة لسنة 2019
6. الموافقة على تعيين د. مصطفى الشرياني عضو مجلس إدارة تاسع في المقعد الشاغر في مجلس الإدارة ورفع المقترح للإعتماد من قبل الجمعية العمومية
7. اعلام الجمعية العمومية بخصوص التعاقدات مع الأطراف ذوي العلاقة
8. اقتراح توزيع مكافئات لأعضاء مجلس الإدارة وموظفي الشركة

و تفضلوا بقبول فائق التقدير و الإحترام

معن عبد الكريم
المستشار القانوني وأمين سر مجلس الإدارة

رأس الخيمة العقارية
RAK PROPERTIES

bsi. ISO 9001:2015 Quality Management

رأس الخيمة العقارية
RAK PROPERTIES.

Directors report on Earning as at end of December 2019

On behalf of the board of Directors of RAK Properties PJSC, I am pleased to present the report on Earnings for the year ending December 31, 2019.

2019 Financial Key Highlights:

- Revenue increased by 90% to AED 192 million in 2019 vs AED 101 million in 2018
- Gross Profit increased by 28% to AED 59 million in 2019 vs AED 46 million in 2018
- Net Profit decreased by 33% to AED 101 million in 2019 vs AED 151 million in 2018
- Total comprehensive income for the year increased to AED 95.51million vs AED 33 million in 2018.
- The total sales backlog is AED 137 million to be recognized over the period of construction based on construction percentage
- Total Asset increased by 6.3% to AED 5.68 billion vs AED 5.34 billion due to increased investment in the development of hotel and residential properties

Brief summary of the financial:

Income Statement		AED Million
	2019	2018
Revenue	192.42	101.39
Gross Profit	58.61	45.82
Profit for the year	**100.70**	**150.52**
Total comprehensive income for the year	**95.51**	**33.00**

** Profit for the year is impacted due to drop in the land and property valuation*

Financial Position		AED Million
	2019	2018
Non Current Assets	4,720	4,495
Current Assets	958	846
Total Assets	**5,678**	**5,341**
Equity and Reserves	3,905	3,813
Non Current Liabilities	992	723
Current Liabilities	781	805
Total Equity & Liabilities	**5,678**	**5,341**

* 6.3% increase in total assets on account of investment in hotel and residential project development, funded by project finance

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رأس الخيمة العقارية
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Development Update

During the year RAK Properties invested significantly in the development of following projects

Residential Projects:

1. **Gateway Residence**, Mina Al Arab, Ras Al Khaimah – 144 apartments
2. **Marbella Villas**, Mina Al Arab, Ras Al Khaimah – 205 villas and townhouses
3. **Julphar Residence**, Reem Island, Abu Dhabi – 266 apartments
4. **Northbay**, Mina Al Arab, Ras Al Khaimah -155 apartments

Gateway Residence and Julphar Residence are residential projects, expected to be handed over soon.

Hospitality Projects:

1. **Intercontinental Hotel and Resort**, Mina Al Arab, Ras Al Khaimah
2. **Anantara Mina Al Arab Hotel and Resort**, Ras Al Khaimah

Besides, RAK Properties also investing in the infrastructure and marine works. These projects are funded by commercial banks.

The hotel properties are expected to start operation during 2021, thereafter these hospitality assets will be generating recurring revenue to improve the revenue of RAK Properties in succeeding years.

Mohammad Sultan Al Qadi
Managing Director

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RAK Properties PJSC and its subsidiaries

Consolidated financial statements

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RAK Properties PJSC and its subsidiaries

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عام التسامح
YEAR OF TOLERANCE

Dear Shareholders,

The Board of Directors of RAK Properties PJSC has pleasure in submitting the consolidated financial statements for the year ending 31st December 2019.

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

Financial result: In 2019, RAK Properties achieved revenue of AED 192.4 million (2018 AED 101.4 million) 90% increase over last year, the company achieved a net profit of AED 101 million (2018 AED 151million) with an EPS of AED 0.05 (2018 AED 0.08). The Total comprehensive income for the year increased to AED 95.51 million vs AED 33 million in 2018.

The total sales backlog stays at AED 137 million and the major part of sales revenue from the backlog will be recognized as the construction percentage improves in 2020.

2019 registered a better revenue performance compared to previous year. Nevertheless, the margin on sale has reduced as a result of drop in selling price and flexible payment plans as the general trend of the real estate industry demands such attractive sales terms.

The total assets of the Company as at 31st December 2019 is AED 5.68 billion (2018 AED 5.34 billion)., an increase of 6.3% on account of investment in hotels and residential projects development funded by project finance facilities from commercial banks., with a medium and long term focus on recurring revenue generation, capital appreciation and robust balance sheet

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

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

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

ص.ب: ٣١١١٣، رأس الخيمة، إ.ع.م. هاتف: ٩٧١٧٢٢٨٤٧٧٧+، فاكس: ٩٧١٧٢٢٧٢٤٤٤+
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رأس الخيمة العقارية
RAK PROPERTIES

عام التسامح
YEAR OF TOLERANCE

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

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

Directors:

Mohammad Hassan Omran	- Chairman
Abdul Aziz Abdullah Al Zaabi	- Deputy Chairman
Mohammad Sultan Al Qadi	- Director
Sheikh Tariq Ahmad Humaid Al Qassimi	- Director
Mohammad Ahmad Ruqait Al Ali	- Director
Sheikh Ahmed Omar Al Qassimi	- Director
Mohammed Abdulla Mohammed Al Mehrezi	- Director
Nawwaf Ghubash Ahmed Al Maari	- Director

Auditors:

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

On behalf of the Board,

Mohammad Hassan Omran
Chairman

KPMG

KPMG Lower Gulf Limited
Al Jazeera Al Hamra
Ras Al Khaimah, UAE
Tel: +971 4 356 9500, Fax +971 4 326 3788

Independent Auditors' Report

To the Shareholders of RAK Properties PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RAK Properties PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income comprising a separate consolidated income statement and a consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**

Valuation of unquoted investments measured at fair value through other comprehensive income

Refer notes 3(e) (iii) and 10 to the consolidated financial statements.

The Group has unquoted investments carried at fair value through other comprehensive income in its investments portfolio.

In determining fair values of these unquoted investments, management engages professionally qualified external valuers to measure the fair value.

We identified assessing the fair value of unquoted investments measured at fair value through other comprehensive income as a key audit matter because of the degree of complexity involved and significant judgment exercised in determining the inputs used in the valuation models.

We have performed the following procedures:

- Evaluated the external valuers' qualifications, experience and expertise in the investments being valued and considered their objectivity, independence and scope of work;
- Obtained and inspected the valuation assessment prepared by the external valuers engaged by the Group;
- With the assistance of our internal valuation specialist, assessed the valuation methodologies, key assumptions and critical judgments used by comparing these with market data, or other publicly available information; and
- Assessed the adequacy of disclosures in the consolidated financial statements.

Valuation of investment properties and investment properties under development

Refer notes 3(e) (i), 7 and 8 to the consolidated financial statements.

The Group owns a portfolio of investment properties and investment properties under development comprising commercial properties, residential properties, car parks and various pieces of land. These properties are located in United Arab Emirates (UAE).

We have performed the following procedures:

- Evaluated the external valuers' qualifications, experience and expertise in the investment properties and investment properties under development being valued and considered their objectivity, independence and scope of work;

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of investment properties and investment properties under development (continued)	
These investment properties and investment properties under development are stated at their fair values as determined by independent real estate valuers ("the valuers") engaged by the Group.	• With the assistance of our internal valuation specialist, we considered the reasonableness of valuation methodologies and assumptions used in the valuations such as sales comparable data and recent market transactions;
The valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the significant unobservable inputs and a small change in the assumptions can have a significant impact to the valuation.	• Carried out procedures to test, on sample basis, whether property specific data supplied to the external valuers by management reflected the underlying property records; and • Assessed the adequacy of the disclosures in the consolidated financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter

Assessment of net realisable value of trading properties and trading properties under development

Refer notes 3(e) (ii), 9 and 12 to the consolidated financial statements.

The Group has significant trading properties and trading properties held under development as at 31 December 2019. Trading properties and trading properties under development are stated at the lower of their costs and their net realisable values. The Group uses independent real estate valuers ("the valuers") to assess the fair value of the Group's portfolio of trading properties and trading properties under development. Further, management also assesses the net realisable value of a portion of properties based upon future sales plan. The assessment of the fair value of these properties involves significant judgment in determining the appropriate methodology and in estimating the underlying assumptions. It is also dependent upon the management's estimation of future selling prices of these properties.	We have performed following procedures: • Evaluated the external valuers' qualifications, experience and expertise in the trading properties and trading properties under development being valued and considered their objectivity, independence and scope of work; • With the assistance of our internal valuation specialist, we considered the reasonableness of valuation methodologies and assumptions used in the valuations such as sales comparable data and recent market transactions; • Carried out procedures to test, on sample basis, whether property specific data supplied to the external valuers by management reflected the underlying property records; • Assessed the reasonableness of the Group's estimated selling prices, by comparing them to, recently transacted prices and prices of comparable properties in the vicinity of the projects; and • Tested, on sample basis, the net realisable value by comparing cost to recent selling prices and assessing the reasonableness of any resulting write-down.

Other Matter

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

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained up to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

iv) the financial information included in the Board of Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 35 to the consolidated financial statements, the Group has not purchased any shares during the year ended 31 December 2019;

vi) note 28 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019.

KPMG Lower Gulf Limited

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

Date: 15 FEB 2020

RAK Properties PJSC and its subsidiaries

Consolidated income statement
For the year ended 31 December 2019

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

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

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

RAK Properties PJSC and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

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

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

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

RAK Properties PJSC and its subsidiaries

Consolidated statement of financial position

As at 31 December 2019

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

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

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

Mohammad Sultan Al Qadi
Managing Director

Mohammad Hasan Omran
Chairman

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

RAK Properties PJSC and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2019

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

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

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

RAK Properties PJSC and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 31 December 2017	2,000,000	1,000,000	576,826	(589)	347,130	3,923,367
Adjustment on adoption of IFRS 9 (refer note 3 (c)(i))	-	-	-	(330,332)	312,681	(17,651)
Restated balance at 1 January 2018	2,000,000	1,000,000	576,826	(330,921)	659,811	3,905,716
Total comprehensive income for the year						
Profit for the year	-	-	-	-	150,524	150,524
Other comprehensive loss for the year	-	-	-	(117,520)	-	(117,520)
Total comprehensive income for the year	-	-	-	(117,520)	150,524	33,004
Transactions recorded directly in equity						
Transfer to general reserves	-	-	15,052	-	(15,052)	-
Board of Directors' remuneration (refer note 30 (ii))	-	-	-	-	(5,263)	(5,263)
Dividend declared (refer note 30 (i))	-	-	-	-	(120,000)	(120,000)
Balance at 31 December 2018	2,000,000	1,000,000	591,878	(448,441)	670,020	3,813,457
Balance at 1 January 2019	2,000,000	1,000,000	591,878	(448,441)	670,020	3,813,457
Total comprehensive income for the year						
Profit for the year	-	-	-	-	100,700	100,700
Other comprehensive loss for the year	-	-	-	(5,191)	-	(5,191)
Total comprehensive income for the year	-	-	-	(5,191)	100,700	95,509
Transactions recorded directly in equity						
Realised loss on equity investments measured at FVOCI transferred to retained earnings	-	-	-	237,529	(237,529)	-
Transfer to general reserve	-	-	10,070	-	(10,070)	-
Board of Directors' remuneration (refer note 30 (ii))	-	-	-	-	(4,000)	(4,000)
Balance at 31 December 2019	**2,000,000**	**1,000,000**	**601,948**	**(216,103)**	**519,121**	**3,904,966**

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

1 Reporting entity

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

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

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

Name of subsidiary	**Country of incorporation**	**Proportion of ownership interest**	
		2019	**2018**
RAK Properties International Limited	United Arab Emirates	100%	100%
RAK Properties Tanzania Limited	Tanzania	100%	100%
Dolphin Marina Limited	Tanzania	100%	100%

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

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

2 Basis of preparation

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

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

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

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

(a) Statement of compliance

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

(b) Basis of measurement

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

2 Basis of preparation (continued)

(c) Functional and presentational currency

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

(d) Use of estimates and judgments

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

Measurement of fair values

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:
- Notes 7 and 8 – Investment properties and Investment properties under development;
- Note 31 – Fair value measurements.

2 Basis of preparation (continued)

(e) Key sources of estimation uncertainty

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

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

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

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

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

The determination of the fair value of revenue-generating properties requires the use of estimates such as future cash flows from assets (such as leasing, tenants' profiles, future revenue streams, capital values of fixtures and fittings, and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and leasing risks) are also taken into consideration when determining the fair value of investment properties under development. These estimates are based on local market conditions existing at the end of the reporting period. Refer note 7 and 8 for estimates applied and amount involved.

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

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

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

2 Basis of preparation (continued)

(e) Key sources of estimation uncertainty (continued)

(iii) Valuation of unquoted equity investments

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

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

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data. Refer note 31 for estimates applied and amount involved.

(iv) IFRS 15 Revenue from contracts with customers

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

Determination of transaction prices

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

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of the revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised.

Cost to complete the projects

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

2 Basis of preparation (continued)

(f) Critical judgments in applying accounting policies

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

(i) Classification of properties

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

(ii) Satisfaction of performance obligations

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

(iii) Determination of transaction prices

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

(iv) Transfer of control in contracts with customers

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

3 Significant accounting policies

(a) Basis of consolidation

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

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

Subsidiaries

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

Transactions eliminated on consolidation

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

(b) Foreign currency

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

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

Foreign operations

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

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

(c) Financial instruments

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

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are; solely; payments of principal and interest on the outstanding principal amount.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

Financial assets at FVTPL

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Equity instruments at FVOCI

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

Financial assets at amortised cost

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

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

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

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

Further, the equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group designated these investments at the date of initial application as measured at FVOCI. On transition to IFRS 9, an allowance for impairment recorded on available for sale assets of AED 330,332 thousand was recognized as an increase in opening retained earnings and a decrease in cumulative changes in fair value reserve as at 1 January 2018.

(ii) Impairment of financial assets

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

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Impairment of financial assets (continued)

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

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

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

Measurement of ECL

The Group employs statistical models for ECL calculations.

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

Credit-impaired financial assets

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

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

Presentation of impairment

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

(iii) Derecognition

Financial assets

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

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

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

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

(iv) Offsetting

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

(d) Segment reporting

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

(e) Revenue recognition

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

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

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

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

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

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

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

3 Significant accounting policies (continued)

(e) Revenue recognition (continued)

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

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

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

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

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

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

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

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

Forfeiture income

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

3 Significant accounting policies (continued)

(e) Revenue recognition (continued)

Service revenue

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

Leasing income

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

(f) Finance income

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

(g) Dividend income

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

(h) Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the shareholders.

(i) Property and equipment

Recognition and measurement

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

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

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

Subsequent expenditure

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

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

Depreciation

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

3 Significant accounting policies (continued)

(i) Property and equipment (continued)

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

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

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

(j) Investment properties and investment properties under development

Recognition

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

Measurement

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

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

Transfer from trading properties to investment properties

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

Transfer from investment properties to trading properties

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

3 Significant accounting policies (continued)

(j) Investment properties (continued)

Transfer from investment properties to owner-occupied properties

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

Transfer from owner-occupied property to investment properties

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

Sale of investment properties

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

(k) Trading properties and trading properties under development

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

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

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

(l) Impairment of non-financial assets

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

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

3 Significant accounting policies (continued)

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

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

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

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

(m) Government grants

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

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

(n) Borrowings costs

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

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

(o) Provisions

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

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

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

3 Significant accounting policies (continued)

(p) Employee benefits

Defined contribution plan

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

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

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

Provision for employees' end of service benefits

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

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

Short-term employee benefits

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

(q) Directors' remuneration

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

(r) Share capital

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

4 Changes in accounting policy

(i) IFRS 16 *Leases*

Policy applicable from 1 January 2019

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

The details of change in accounting policies are disclosed below.

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

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

a) As a lessee

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

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

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

4 Changes in accounting policy (continued)

(i) IFRS 16 *Leases* (continued)

Policy applicable from 1 January 2019 (continued)

a) As a lessee (continued)

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

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

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

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

b) As a lessor

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

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

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

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

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

4 Changes in accounting policy (continued)

(ii) IAS 17 *Leases*

Policy applicable before 1 January 2019

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

a) As a lessee

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

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

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

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

b) As a lessor

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

(iii) Standards issued but not yet effective

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

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

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

5 Financial risk management

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

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

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

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

(i) Credit risk

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

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

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

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

(ii) Liquidity risk

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

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

5 Financial risk management (continued)

(iii) Market risk

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

a. *Currency risk*

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

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

b. *Interest rate risk*

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

c. *Equity price risk*

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

(iv) Capital management

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

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

6 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							
1 January 2018	280,734	252,642	4,415	6,956	993	102,020	647,760
Additions during the year	-	12,584	131	1,253	81	115,491	129,540
Transfers (note 8)	-	6,739	-	-	-	-	6,739
31 December 2018	280,734	271,965	4,546	8,209	1,074	217,511	784,039
1 January 2019	280,734	271,965	4,546	8,209	1,074	217,511	784,039
Additions	-	1,872	13	592	126	137,926	140,529
Disposals	-	-	(103)	-	-	-	(103)
31 December 2019	280,734	273,837	4,456	8,801	1,200	355,437	924,465
Depreciation							
1 January 2018	-	59,751	4,277	5,099	862	-	69,989
Charge for the year	-	13,342	73	838	83	-	14,336
31 December 2018	-	73,093	4,350	5,937	945	-	84,325
1 January 2019	-	73,093	4,350	5,937	945	-	84,325
Charge for the year	-	14,297	75	967	80	-	15,419
Disposals	-	-	(103)	-	-	-	(103)
31 December 2019	-	87,390	4,322	6,904	1,025	-	99,641
Net book value							
31 December 2019	**280,734**	**186,447**	**134**	**1,897**	**175**	**355,437**	**824,824**
31 December 2018	280,734	198,872	196	2,272	129	217,511	699,714

6 Property and equipment (continued)

The depreciation charge has been allocated as follows:

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

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

Capital work in progress includes borrowing cost capitalised during the year amounting to AED 18,043 thousand *(2018: AED12,550 thousand)*, calculated using an average capitalization rate of 6.36%.

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

Capital work-in-progress represents expenditure incurred on the construction of hotels, which are intended to be used according to the Group's relevant business model. The construction work on these hotels are ongoing at the reporting date and management expects to start the operation of these hotels in 2021.

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

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

7 Investment properties

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

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

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

7 Investment properties (continued)

Fair value hierarchy

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

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

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

Investment properties are located in United Arab Emirates.

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

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

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

The management has reassessed the use of certain trading properties. In the view of the Board of Directors, these properties with a cost of AED Nil *(2018: AED 393,199 thousand)* will now generate rental revenue for the Group. Accordingly, the value of such properties has been transferred to investment properties.

8 Investment properties under development

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

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

Investment properties under development are located in United Arab Emirates.

Fair value hierarchy

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

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

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

The Board of Directors have reviewed the report of the independent valuer and have concurred that no change in fair value needs to be considered in the consolidated financial statements of the Group for the year ended 31 December 2019.

9 Trading properties under development

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

9 Trading properties under development (continued)

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

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

During the year, based on an independent valuation of net realisable value of trading properties under development, Board of Directors have decided a write down to net realisable value amounting to AED 1,519 thousand *(2018: AED 3,150 thousand)*.

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

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

10 Investments

	2019 AED'000	2018 AED'000
Non-current investments		
Fair value through other comprehensive income		
Private equity investments	**59,367**	70,644
Real estate fund	**48,797**	55,340
	----------	---------
	108,164	125,984
	======	======
Current investments		
Fair value through profit or loss	**15,661**	15,221
	=====	=====

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

Non-current investments at fair value through other comprehensive income		
Investments within UAE		
Unquoted private equity investments	**6,545**	15,560
	=====	=====

10 Investments (continued)

	2019 **AED'000**	2018 AED'000
Investments outside UAE		
Unquoted private equity investments	**24,546**	26,082
Unquoted funds	**48,797**	55,340
Quoted securities	**28,276**	29,002
	----------	----------
	101,619	110,424
	======	======
Total non-current investments	**108,164**	125,984
	======	======

Current investments at fair value through profit or loss

Quoted equity securities inside UAE	**4,690**	4,250
Unquoted investments outside UAE	**10,971**	10,971
	--------	--------
	15,661	15,221
	=====	=====

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

11 Advances to suppliers and contractors

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

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

12 Trading properties

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

All trading properties are located in United Arab Emirates.

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

During the year, based on an independent valuation of net realisable value of trading properties, Board of Directors has concurred that no write down to realisable value is identified and accordingly no charge to profit or loss for the year is required *(2018: Nil)*.

13 Trade, contract and other receivables

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

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

13 Trade, contract and other receivables (continued)

Contract assets

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

Movements in allowance for doubtful debts:

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

14 Cash in hand and at bank

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

14 Cash in hand and at bank (continued)

Cash and cash equivalent consists of:

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

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

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

Bank balances and cash are maintained in United Arab Emirates.

15 Share capital

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

16 Statutory reserve

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

17 General reserve

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

18 Provision for employees' end of service benefits

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

19 Contract liabilities

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

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

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

20 Borrowings

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

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

The overdraft facility of the Group is secured by:

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

The Group has obtained the following loans:

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

20 Borrowings (continued)

- Term loan of AED 67,000 thousand from a commercial bank for the construction of a residential property. This facility is repayable in 32 equal quarterly instalments commencing 2 years 3 months from the date of first drawdown and carries interest rate of fixed margin over 3 months EIBOR. The balance outstanding at 31 December 2019 amounted to AED 55,914 thousand *(2018: AED Nil)*. Available drawdown limit on 31 December 2019 amounted to AED 11,086.
- Term loan of AED 13,300 thousand from a commercial bank. This facility is repayable in 8 quarterly instalments commencing 3 months from the date of drawdown and carries an interest rate of fixed margin over 3 months EIBOR. The balance outstanding at 31 December 2019 amounted to AED 6,650 thousand *(2018: AED 13,300 thousand)*. Available drawdown limit on 31 December 2019 amounted to AED Nil.
- Medium term loan of AED 50,000 thousand from a commercial bank to meet the enhanced working capital requirements of the Company. This facility is repayable within 180 days from each tranche and carries an interest rate of fixed margin over 3 months EIBOR. The balance outstanding at 31 December 2019 amounted to AED 30,000 thousand *(2018: AED Nil)*. Available drawdown limit on 31 December 2019 amounted to AED 20,000 thousand.

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

Loans are secured against the following:

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

21 Trade and other payables

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

22 Revenue

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

22 Revenue (continued)

	2019 AED'000	2018 AED'000
Revenue from contracts with customers		
Sale of properties	**140,032**	37,031
Facility management fee	**22,068**	23,200
Forfeiture income	**531**	8,943
Others	**407**	559
	163,038	69,733
Other revenue		
Leasing income	**29,385**	31,658
Total revenue	**192,423**	101,391

Timing of revenue recognition

	2019	2018
Recognised at a point in time	**86,843**	30,231
Recognised over time	**76,195**	39,502
Revenue from contracts with customers	**163,038**	69,733
Other revenue	**29,385**	31,658
Total revenue	**192,423**	101,391

23 Cost of sales

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

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

24 General and administrative expenses

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

25 Other income

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

26 Finance income and expenses

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

27 Earnings per share

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

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

28 Related party transactions

The Group, in the ordinary course of business, enters into transactions, at agreed terms and conditions, with other business enterprises or individuals that fall within the definition of related parties contained in International Accounting Standard 24.

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

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

29 Contingent liabilities and capital commitments

Commitments relating to the property development are as follows:

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

30 Dividends

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

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

(iii) The Board of Directors propose that a dividend of AED 60,000 thousand, AED 3 fils per share *(2018: Nil)* will be paid to the Shareholders for 2019. The Directors also proposed the Board of Directors' remuneration of AED 4,000 thousand *(2018: AED 4,000 thousand)*. These are subject to approval by the Shareholders at the Annual General Meeting and have not been included as a liability in these consolidated financial statements.

31 Fair value measurements

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

Fair value of financial instruments carried at amortised cost

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

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

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

Financial assets

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

Fair value measurements recognised in the consolidated statement of financial position

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

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

31 Fair value measurements (continued)

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

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

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

32 Financial instruments

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

32 Financial instruments (continued)

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

* Excluding prepayments and VAT refundable

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

32 Financial instruments (continued)

32.1 Credit risk

Exposure to credit risk

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

Trade, contract and other receivables

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

* Excluding prepayments and VAT refundable

32.2 Liquidity risk

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

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

32 Financial instruments (continued)

32.2 Liquidity risk (continued)

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

32.3 Equity price risk

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

32.4 Interest rate risk

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

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

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

Sensitivity analysis for variable rate instruments

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

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

33 Segment reporting

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

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

34 Comparative figures

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

35 Purchase of shares

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