

**Directors Report for the Year Ended
31 December 2009**

The Directors of RAK Properties are pleased to present the financial statements for the year ended 31st December 2009 audited by our auditors, KPMG.

Narrative explanation of Company's Financials

The net profit for the year ended 31st December 2009 amounted to AED 170 million as against AED 379 million for the year 2008.

The year 2009 was a testing time for the real estate industry. The financial crisis coupled with tumbling home prices, affected the primary sales performance severely. During the year the development of Julfar Towers, Mina Al Arab and RAK Tower achieved good progress and getting ready for handover in 2010. During the year we have not recognized revenue from the sale of properties due to non delivery of projects as we follow the revenue recognition standard where the revenue is recognized at the time of property handover.

Total Equity at the end of year ended 31st December 2009 amounted to AED 3.14 billion.

Change in capital structure

There was no change in the capital structure. On the debt side we received a long term loan of AED 551 million from Investment Development Office during the year 2009 - payable after five years.

Capital resources available and its liquidity

With current liquidity the company can finance its' current projects (Julfar Towers, Rak Tower and Mina Al Arab). The company has been negotiating with financial institutions for other specific projects.



رأس الخيمة العقارية
RAK PROPERTIES

Extraordinary or unusual events

There was no extra ordinary or unusual event during the reporting period, except the loan mentioned above.

Review of performance of the operating segments of the business

During the year we achieved substantial developments in our Flagship Project “Mina Al Arab”, the tower project “Julfar Towers” in Ras Al Khaimah and “RAK Tower” in Reem Island, Abu Dhabi.

The infrastructure work including road, bridges, sewage treatment plant, electrical and communication cabling, water pipelines and landscaping were significantly completed in Mina Al Arab. There are 93 villas and townhouses in the Precinct 4 of the Mina Al Arab in the advanced stages of completion. Besides there are 213 villas and townhouses in the precinct 5 of the Mina Al Arab moving ahead in line with our development timeline. The Precinct 4 villas and townhouses will be handed over during the year 2010.

During the 4th Quarter 2009, RAK Properties awarded contracts to construct 20 residential building comprises 808 apartments with a total built up area of approximately 151,000 sqm. These buildings are being constructed in Precinct 2 also referred as the Lagoon area of the Mina Al Arab. These buildings will be facing the lagoon and the harbour. In order to meet the delivery timeline we split the contracts and awarded to three contractors.

Julfar Towers, the iconic twin towers in the Ras Al Khaimah is in the final stages of development. Julfar Towers is a mixed use residential and commercials project located at the heart of Ras Al Khaimah. Julfar Tower consist of two 45 storey towers – one residential with 349 apartments and the other with 468 office units, built over a three level podium for retail. Julfar Towers will be handed over in 2010.

RAK Tower, Reem Island, Abu Dhabi is also in the final stages of development and targeted to deliver to customers during the year 2010. RAK Tower is a residential project with 212 apartments having panoramic view of the Reem Island.



رأس الخيمة العقارية
RAK PROPERTIES

Future Plan

Among several future plans the following items can be termed as immediate and important plans.

- Development of hotels in the Mina Al Arab
- Projects in Abu Dhabi
- Complete the development in the other precincts in the Mina Al Arab
- Fully establish and efficiently manage the facility management and asset management activities including leasing retail

Description of known existing / expected facts, decisions or conditions that would have significant effect on the financial position

We have serious concern with regard to availability of liquidity in the markets. We believe the banking sector will open up and start financing the real estate projects and the customers. Until then we can expect some problem with regard to collection of outstanding. It may affect the development of future projects.

Financial highlights

	AED Millions		
RAK Properties Results	Dec'09	Dec'08	Change
Non Current Assets	3,126.60	2,658.97	467.63
Net Current Assets	1,143.75	1,141.73	2.02
Net Assets	3,143.45	3,128.31	15.14
Total Equity	3,143.45	3,128.31	15.14
Net Operating Profit	154.16	435.90	(281.74)
Operating Expense	33.23	43.45	(10.22)
Net Profit for the period	170.09	379.46	(209.37)

Certain comparative figures have been reclassified, wherever necessary.

Mohammad Sultan Al Qadi
Managing Director & CEO