

Ref: RAKP/LA/017/2017
Date: 29th April 2017

المرجع: RAKP/LA/017/2017
التاريخ: 2017/04/29

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

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

Dear Sir:

تحية طيبة وبعد،،،

Subject: Results of RAK Properties BOD Meeting held on 29th of April 2017

الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 2017/4/29

Pursuant to our letter dated 24th April 2017, we would like to inform you that the company's BOD held its meeting at 9:30 am on Saturday, 29th of April 2017, in RAS Al Khaimah, and discussed the items set out on the agenda, and the following resolution has been adopted:

بالإشارة الى كتابنا المؤرخ 2017/4/24 نرجوا التكرم بالاحاطة بأن مجلس الادارة قد إجتمع في تمام الساعة 9:30 صباحاً وذلك يوم السبت الموافق 2017/4/29 برأس الخيمة ، حيث تم مناقشة البنود المدرجة على جدول الأعمال، وتم اتخاذ القرار التالي:

- Approval of the audited financial data of the first quarter of the year 2017.

- المصادقة على البيانات المالية المدققة للربع الأول من العام المالي 2017.

The BOD has also taken some administrative matters that have no effect on the share price

هذا وتم اتخاذ بعض القرارات الادارية الاعتيادية الأخرى التي لا تأثير لها على سعر السهم وحركته في السوق

Best Regards,

Mohammed Sultan Al Qadi
Managing Director &CEO

و تفضلوا بقبول فائق التقدير و الإحترام



محمد سلطان القاضي
العضو المنتدب / الرئيس التنفيذي

Directors Report for the three month ended 31st March 2017

On behalf of the board of Directors of RAK Properties PJSC, I am pleased to present the Financials results of the Company for the three month ended 31st March 2017.

During 1st quarter 2017, RAK Properties achieved a revenue of AED 116 M. (2016 AED 72 M) and net profit of AED 40 M (2016 AED 19 M).

Total asset of the group is AED 5,060 M.

Brief summary of the financial as follows:

AED '000

| Income Statement | 31st March. 2017 | 31st March. 2016 |
|---------------------------------------|---------------------|---------------------|
| Revenue | 115,538 | 71,581 |
| Cost of Revenue | (66,846) | (48,123) |
| Gross Profit | 48,692 | 23,458 |
| Profit for the period | 39,878 | 18,537 |
| Balance Sheet | 31st March. 2017 | 31st Dec. 2016 |
| Non current Assets | 3,811,701 | 3,773,159 |
| Current Assets | 1,248,491 | 1,214,124 |
| Total Assets | 5,060,192 | 4,987,283 |
| Non current Liabilities | 683,328 | 680,780 |
| Current Liabilities | 591,112 | 455,629 |
| Total Equity | 3,785,752 | 3,850,874 |
| Total Equity & Liabilities | 5,060,192 | 4,987,283 |





Projects update

1. The Bermuda villas project, Mina Al Arab is nearly ready for handing over.
2. Gateway Residence Project in Mina Al Arab was launched during this period.
This project was well received by our investors
3. Hospitality Properties developments are progressing as planned
4. The construction of Julphar Residence, Reem Island, Abu Dhabi will start soon.

During this period 5% dividend (AED 100 M) was approved in the AGM held on 18th March 2017.

Mohammad Sultan Al Qadi
Managing Director and CEO

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

**Review report and consolidated interim
financial information for the three months
period ended 31 March 2017**

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

| Contents | Pages |
|--|--------|
| Report on review of consolidated interim financial information | 1 |
| Condensed consolidated statement of financial position | 2 - 3 |
| Condensed consolidated statement of income (unaudited) | 4 |
| Condensed consolidated statement of comprehensive income (unaudited) | 5 |
| Condensed consolidated statement of changes in equity | 6 |
| Condensed consolidated statement of cash flows (unaudited) | 7 |
| Notes to the condensed consolidated financial statements | 8 - 26 |

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

**To the Board of Directors
RAK Properties P.J.S.C.
Ras Al Khaimah
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **RAK Properties P.J.S.C. (the “Company”) and its Subsidiaries (together the “Group”)** as at 31 March 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34, “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “*Interim Financial Reporting*”.

Deloitte & Touche (M.E.)



Signed by:
Samir Madbak
Registration No. 386
29 April 2017
Sharjah, United Arab Emirates


Condensed consolidated statement of financial position
At 31 March 2017

| | Notes | 31 March 2017 AED '000 (Unaudited) | 31 December 2016 AED '000 (Audited) |
|---|-------|---|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 4 | 444,084 | 446,666 |
| Investment properties | 5 | 1,960,887 | 1,960,887 |
| Investment properties under development | 6 | 312,087 | 295,299 |
| Trading properties under development | 7 | 660,872 | 654,093 |
| Investments | 8 | 269,025 | 269,025 |
| Advances | | 77,573 | 77,573 |
| Trade and other receivables | | 87,173 | 69,616 |
| Total non-current assets | | 3,811,701 | 3,773,159 |
| Current assets | | | |
| Trading properties under development | 7 | 168,576 | 168,890 |
| Investments | 8 | 37,223 | 39,333 |
| Advances | | 66,694 | 66,502 |
| Trading properties | 9 | 330,761 | 354,187 |
| Trade and other receivables | | 320,805 | 262,864 |
| Bank balances and cash | 10 | 324,432 | 322,348 |
| Total current assets | | 1,248,491 | 1,214,124 |
| Total assets | | 5,060,192 | 4,987,283 |

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

Condensed consolidated statement of financial position (continued)
At 31 March 2017

| | Notes | 31 March 2017 AED '000 (Unaudited) | 31 December 2016 AED '000 (Audited) |
|--|-------|---|--|
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 11 | 2,000,000 | 2,000,000 |
| Statutory reserve | 12 | 1,000,000 | 1,000,000 |
| Voluntary reserve | 13 | 557,644 | 557,644 |
| Cumulative changes in fair value of available-for-sale investments | | 13,735 | 13,735 |
| Retained earnings | | 214,373 | 279,495 |
| Total equity | | 3,785,752 | 3,850,874 |
| Non-current liabilities | | | |
| Provision for employees' end of service indemnity | | 4,170 | 4,145 |
| Deferred government grants | 5 | 656,756 | 656,756 |
| Advances from customers | | 22,402 | 19,879 |
| Total non-current liabilities | | 683,328 | 680,780 |
| Current liabilities | | | |
| Advances from customers | | 1,883 | 2,443 |
| Borrowings | 15 | 253,267 | 140,812 |
| Trade and other payables | | 335,962 | 312,374 |
| Total current liabilities | | 591,112 | 455,629 |
| Total liabilities | | 1,274,440 | 1,136,409 |
| Total equity and liabilities | | 5,060,192 | 4,987,283 |



Mohammad Sultan Al Qadi
Managing Director

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

Condensed consolidated statement of income (unaudited)
for the three months period ended 31 March 2017

| | Notes | Three months period ended 31 March | |
|---|-------|------------------------------------|------------------|
| | | 2017 AED '000 | 2016 AED '000 |
| Revenue | 16 | 115,538 | 71,581 |
| Cost of revenue | | (66,846) | (48,123) |
| Gross profit | | 48,692 | 23,458 |
| Other operating income – net | | 2,279 | 1,132 |
| General and administrative expenses | | (9,847) | (9,087) |
| Operating profit | | 41,124 | 15,503 |
| Net change in fair value of investments at fair value through profit or loss | | (2,110) | 2,273 |
| Dividend income | | 141 | - |
| Finance income | | 1,786 | 1,402 |
| Finance expenses | | (1,063) | (641) |
| Profit for the period | | 39,878 | 18,537 |
| Basic earnings per share for the period (AED) | 17 | 0.020 | 0.009 |

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

Condensed consolidated statement of comprehensive income (unaudited)
for the three months period ended 31 March 2017

| | Three months period ended 31 March | |
|--|------------------------------------|-----------------|
| | 2017 AED'000 | 2016 AED'000 |
| Profit for the period | 39,878 | 18,537 |
| Other comprehensive income: | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Board of Directors' remuneration | (5,000) | (3,500) |
| Total comprehensive income for the period | 34,878 | 15,037 |

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

Condensed consolidated statement of changes in equity
for the three months period ended 31 March 2017

| | Share capital AED '000 | Statutory reserve AED '000 | Voluntary reserve AED '000 | Cumulative changes in fair value of available- for -sale investments AED '000 | Retained earnings AED '000 | Total AED '000 |
|---|------------------------------|----------------------------------|----------------------------------|---|----------------------------------|-------------------|
| Balance at 31 December 2015 (audited) | 2,000,000 | 1,000,000 | 540,163 | 6,099 | 205,814 | 3,752,076 |
| Effect of change in accounting policy | - | - | - | - | 19,848 | 19,848 |
| Balance as at 1 January 2016 | 2,000,000 | 1,000,000 | 540,163 | 6,099 | 225,662 | 3,771,924 |
| Profit for the period | - | - | - | - | 18,537 | 18,537 |
| Other comprehensive loss for the period | - | - | - | - | (3,500) | (3,500) |
| Total comprehensive income for the year | - | - | - | - | 15,037 | 15,037 |
| Dividend paid (Note 14) | - | - | - | - | (100,000) | (100,000) |
| Balance at 31 March 2016 (unaudited) | 2,000,000 | 1,000,000 | 540,163 | 6,099 | 140,699 | 3,686,961 |
| Balance at 31 December 2016 (audited) | 2,000,000 | 1,000,000 | 557,644 | 13,735 | 279,495 | 3,850,874 |
| Profit for the period | - | - | - | - | 39,878 | 39,878 |
| Other comprehensive loss for the period | - | - | - | - | (5,000) | (5,000) |
| Total comprehensive income for the period | - | - | - | - | 34,878 | 34,878 |
| Dividends (Note 14) | - | - | - | - | (100,000) | (100,000) |
| Balance at 31 March 2017 (unaudited) | 2,000,000 | 1,000,000 | 557,644 | 13,735 | 214,373 | 3,785,752 |

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

Condensed consolidated statement of cash flows (unaudited)
for the three months period ended 31 March 2017

| | Three months period ended 31 March | |
|--|------------------------------------|------------------|
| | 2017 AED '000 | 2016 AED '000 |
| Cash flows from operating activities | | |
| Profit for the period | 39,878 | 18,537 |
| Adjustments for: | | |
| Depreciation of property and equipment | 3,066 | 2,763 |
| Finance income – net | (723) | (761) |
| Dividend income | (141) | - |
| Net change in fair value of investments at fair value through profit or loss | 2,110 | (2,273) |
| Provision for employees' end of service indemnity | 203 | 159 |
| Operating cash flows before changes in operating assets and liabilities | 44,393 | 18,425 |
| Decrease in trading properties | 23,426 | 25,628 |
| Increase in trading properties under development | (412) | (14,921) |
| Increase in trade and other receivables | (73,846) | (29,663) |
| (Increase) /decrease in advances | (192) | 166 |
| Increase in trade and other payables | 23,832 | 12,301 |
| Increase in advances from customers | 1,963 | 4,730 |
| Cash generated from operating activities | 19,164 | 16,666 |
| Employees' end of service indemnity paid | (178) | (2) |
| Net cash generated from operations | 18,986 | 16,664 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (484) | (250) |
| Interest income received | 134 | 138 |
| Dividend income received | 141 | - |
| Increase in investment properties under development | (22,709) | (9,753) |
| Net cash used in investing activities | (22,918) | (9,865) |
| Cash flows from financing activities | | |
| Dividend paid | (100,122) | (2,702) |
| Repayment of term loan | - | (91,850) |
| Increase in bank overdraft | 112,455 | 83,190 |
| Interest paid | (1,195) | (1,116) |
| Board of Directors' remuneration | (5,000) | (3,500) |
| Net cash generated from/(used in) financing activities | 6,138 | (15,978) |
| Net increase/(decrease) in cash and cash equivalents | 2,206 | (9,179) |
| Cash and cash equivalents at the beginning of the period | 4,594 | 11,279 |
| Cash and cash equivalents at the end of the period (Note 19) | 6,800 | 2,100 |

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

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017**

1. General information

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

The condensed consolidated financial statements as at and for the three months period ended 31 March 2017 comprises the financial statement of the Company and its subsidiaries, (together referred to as the "Group").

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

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

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current period and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 *Disclosure of Interests in Other Entities*

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

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

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|--|
| Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2015)</i> | 1 January 2018 |

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

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

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

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|--|
| Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions. | 1 January 2018 |
| Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9 | When IFRS 9 is first applied |
| IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | When IFRS 9 is first applied |
| IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) | 1 January 2018 |
| IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments. | |
| A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas: | 1 January 2018 |
| <ul style="list-style-type: none"> • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk. | |

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

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

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

| New and revised IFRSs | Effective for annual periods beginning on or after |
|-----------------------|--|
|-----------------------|--|

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014) (continued)

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 16 *Leases*

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

1 January 2018

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

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

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

| <u>New and revised IFRSs</u> | <u>Effective for annual periods beginning on or after</u> |
|------------------------------|---|
|------------------------------|---|

Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

1 January 2018

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

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

Management anticipates that IFRS 9 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2018. The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group’s consolidated financial statements in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Group performs a detailed review.

IFRS 15 Revenue from contracts with customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has elected to early adopt IFRS 15 with effect from 1 January 2016.

3. Summary of significant accounting policies

3.1 Statement of compliance

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

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in United Arab Emirates Dirhams (AED in thousands) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2016.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2016. In addition, results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The accounting policies in respect of property and equipment, investment properties, investment properties under development, trading properties under development, trading properties and investments are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

3.3 Property and equipment

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

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

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

| | Percentage |
|--------------|------------|
| Buildings | 4 - 5 |
| Other assets | 10 - 25 |

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

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Property and equipment (continued)

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

3.4 Investment properties

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

3.5 Investment properties under development

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

3.6 Trading properties under development

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

3.7 Trading properties

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

3. Summary of significant accounting policies (continued)

3.8 Investments

3.8.1 *Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

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

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

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

3.8.2 *Available-for-sale financial assets (AFS financial assets)*

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

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

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

3.8 Investments (continued)

3.8.3 Held-to-maturity investments

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

3.9 Basis of consolidation

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

Control is achieved when the Company:

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

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

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

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

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

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

3. Summary of significant accounting policies (continued)

3.9 Basis of consolidation (continued)

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

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

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

3.9.1 *Subsidiaries:*

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

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

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

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

4. Property and equipment

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

5. Investment properties

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|---------------|---|--|
| Inside U.A.E. | 1,960,887 | 1,960,887 |

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

5. Investment properties (continued)

During 2011, the Group has accounted for remaining portion of land granted as deferred Government grant at an aggregate value of AED 571 million with a corresponding increase to investment properties and trading properties under development. Furthermore, during 2016, an amount of AED 85.8 million was accounted as fair value increase (non cash transaction) pertaining to the above land granted by Government and deferred Government grant increased to AED 657 million. This deferred Government Grant will be released to the consolidated statement of income on the fulfilment of the conditions stipulated by the Government.

6. Investment properties under development

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|---|---|--|
| Balance at beginning of the period/year | 295,299 | 266,538 |
| Cost incurred | 22,709 | 28,761 |
| Transferred to trading property under development | (5,921) | - |
| | <hr/> | <hr/> |
| Balance at end of the period/year | 312,087 | 295,299 |
| | <hr/> <hr/> | <hr/> <hr/> |

Investment properties under development are located in United Arab Emirates.

7. Trading properties under development

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|---------------------------------------|---|--|
| Non- Current assets | | |
| Inside U.A.E. | 643,838 | 637,059 |
| Outside U.A.E. | 17,034 | 17,034 |
| | <hr/> | <hr/> |
| Balance at the end of the period/year | 660,872 | 654,093 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
| Current assets | | |
| Inside U.A.E. | 168,576 | 168,890 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

8. Investments

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|---|---|--|
| <i>Non-current investments</i> | | |
| <i>Available-for-sale</i> | | |
| Private equity investments | 371,265 | 371,265 |
| Real estate fund | 277,241 | 277,241 |
| | <u>648,506</u> | <u>648,506</u> |
| Held to maturity investment | 8,270 | 8,270 |
| | <u>656,776</u> | <u>656,776</u> |
| Less: provision for impairment | (387,751) | (387,751) |
| | <u>269,025</u> | <u>269,025</u> |
| <i>Current investments</i> | | |
| At fair value through profit or loss | 37,223 | 39,333 |
| | <u>37,223</u> | <u>39,333</u> |
| The details of the Group's investments were as follows: | | |
| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
| <i>Non-current investments</i> | | |
| <i>Available-for-sale</i> | | |
| <i>Investments within United Arab Emirates</i> | | |
| Unquoted private equity investments | 241,136 | 241,136 |
| Unquoted funds | 15,256 | 15,256 |
| | <u>256,392</u> | <u>256,392</u> |
| <i>Investments outside United Arab Emirates</i> | | |
| Unquoted private equity investments | 130,129 | 130,129 |
| Unquoted funds | 261,985 | 261,985 |
| | <u>392,114</u> | <u>392,114</u> |
| Gross value for non-current investments | 656,776 | 656,776 |
| Less: Provision for impairment | (387,751) | (387,751) |
| | <u>269,025</u> | <u>269,025</u> |

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

9. Trading properties

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|---|---|--|
| Balance at beginning of the period/year | 354,187 | 439,104 |
| Transferred from investment properties | - | 9,654 |
| Transferred from trading property under development | - | 62,127 |
| Cost of properties sold | (23,426) | (156,698) |
| Balance at end of the period/year | 330,761 | 354,187 |

All trading properties are located in United Arab Emirates.

10. Bank balances and cash

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|--|---|--|
| Cash in hand | 11 | 4 |
| Bank balances: | | |
| Current accounts | 5,007 | 719 |
| Current accounts – unclaimed dividends | 52,632 | 52,754 |
| Call accounts | 1,782 | 3,871 |
| Term deposits | 265,000 | 265,000 |
| | 324,432 | 322,348 |

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

Fixed deposit amounting to AED 265 million is under lien against bank overdraft facility. At 31 March 2017, outstanding balance in the bank overdraft is AED 253,267 thousands (31 December 2016: 140,812 thousand) (Note 15).

Bank balances and cash are maintained in United Arab Emirates.

11. Share capital

The authorised issued and fully paid up share capital of the Company is AED 2 billion (31 December 2016: AED 2 billion) divided into 2 billion shares with par value of AED 1 each.

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

12. Statutory reserve

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

13. Voluntary reserve

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

14. Dividends

At the annual general meeting held on 18 March 2017, the shareholders approved cash dividend of 5% amounting to AED 100 million (AED 5 fils per share) for the year ended 31 December 2016 (2015: 5%, AED 100 million). Shareholders also approved the Board of Directors' remuneration of AED 5 million for the year ended 31 December 2016 (2015: AED 3.5 million).

15. Borrowings

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|----------------|---|--|
| Bank overdraft | 253,267 | 140,812 |

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

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 250 million held with the bank in the name of the borrower; and
- Undertaking to deposit all sale proceeds from the sale of properties in Mina Al Arab project in the overdraft account.

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

16. Revenue

| | Three months period ended 31 March | |
|-------------------------|------------------------------------|---------------|
| | 2017 | 2016 |
| | AED '000 | AED '000 |
| | (unaudited) | (unaudited) |
| Sale of properties | 102,878 | 59,151 |
| Facility management fee | 6,956 | 6,420 |
| Rental income | 5,704 | 6,010 |
| | <u>115,538</u> | <u>71,581</u> |

17. Basic earnings per share

| | Three months period ended 31 March | |
|-------------------------------------|------------------------------------|--------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| Profit for the period (in AED '000) | 39,878 | 18,537 |
| Number of shares (in '000) | 2,000,000 | 2,000,000 |
| Basic earnings per share (in AED) | <u>0.020</u> | <u>0.009</u> |

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

18. Related party transactions

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

18. Related party transactions (continued)

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

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|----------------|---|--|
| Term deposits | 250,000 | 250,000 |
| Bank overdraft | (253,267) | (140,702) |

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

| | Three months period ended 31 March | |
|-------------------------------------|------------------------------------|---------------------------------|
| | 2017 AED '000 (unaudited) | 2016 AED '000 (unaudited) |
| Key management remuneration: | | |
| Salaries and benefits | 1,471 | 4,222 |
| End of service benefits | 84 | 84 |
| | <u>1,555</u> | <u>4,306</u> |
| Directors remuneration | 5,000 | 3,500 |
| Interest income on term deposits | 1,563 | 1,264 |
| Interest expenses on term loan | - | 682 |
| Interest expenses on bank overdraft | 1,125 | 304 |

Other related party transactions

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

19. Cash and cash equivalents

| | 31 March 2017 AED '000 (unaudited) | 31 March 2016 AED '000 (unaudited) |
|--|---|---|
| Bank balances and cash – net | 324,432 | 306,987 |
| Current accounts – unclaimed dividends | (52,632) | (54,887) |
| Term deposits with maturity more than three months | (265,000) | (250,000) |
| | <u>6,800</u> | <u>2,100</u> |

20. Commitments and contingent liabilities

Commitments relating to the property development are as follows:

| | 31 March 2017 AED '000 (unaudited) | 31 December 2016 AED '000 (audited) |
|-------------------------|---|--|
| Approved and contracted | 101,272 | 142,090 |

The Group has a legal case with one of the contractor and an arbitrational tribunal has been constituted. The management in consultation with the external lawyer have reviewed the status of the legal case and concluded that no provision needs to be maintained against the above other than the liability considered in the condensed consolidated financial statements.

21. Fair value measurements

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

Fair value of financial instruments carried at amortised cost

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

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

21. Fair value measurements (continued)

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

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2016.

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable input | Relationship of unobservable inputs to fair value |
|---|---|--|----------------------|---|-----------------------------------|--|
| | 31 March 2017 AED'000 (unaudited) | 31 December 2016 AED'000 (audited) | | | | |
| Available for sale | | | | | | |
| Unquoted private equity investments and funds | 126,640 | 126,640 | Level 3 | Net assets/ adjusted net asset value valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information wherever information is available. | Net assets value/ Market approach | Higher the net assets value of the investees, higher the fair value. |
| Unquoted private equity investments and funds | 141,000 | 141,000 | Level 2 | | | |
| Financial assets at FVTPL | | | | | | |
| Quoted equity securities | 26,070 | 28,226 | Level 1 | Quoted bid prices in an active market. | None | NA |
| Unquoted investments | 11,153 | 11,107 | Level 3 | Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. Market approach is applied wherever information is available. | Net assets value | Higher the net assets value of the investees, higher the fair value. |

Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)

21. Fair value measurements (continued)

Fair value measurements recognised in the condensed 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).

| | Level 1 AED '000 (unaudited) | Level 2 AED '000 (unaudited) | Level 3 AED '000 (unaudited) | Total AED '000 (unaudited) |
|---|------------------------------------|------------------------------------|------------------------------------|----------------------------------|
| 31 March 2017 (unaudited) | | | | |
| Available-for-sale | | | | |
| Unquoted equities and funds (Gross value) | - | 141,000 | 126,640 | 267,640 |
| Financial assets carried at FVTPL | | | | |
| Assets held for trading | 26,070 | - | 11,153 | 37,223 |
| Investment properties | - | - | 1,960,887 | 1,960,887 |
| Investment properties under development | - | - | 312,087 | 312,087 |
| | <u>26,070</u> | <u>141,000</u> | <u>2,410,767</u> | <u>2,577,837</u> |
| | Level 1 AED '000 (audited) | Level 2 AED '000 (audited) | Level 3 AED '000 (audited) | Total AED '000 (audited) |
| 31 December 2016 | | | | |
| Available-for-sale | | | | |
| Unquoted equities and funds (Gross value) | - | 141,000 | 126,640 | 267,640 |
| Financial assets carried at FVTPL | | | | |
| Assets held for trading | 28,226 | - | 11,107 | 39,333 |
| Investment properties | - | - | 1,960,887 | 1,960,887 |
| Investment properties under development | - | - | 295,299 | 295,299 |
| | <u>28,226</u> | <u>141,000</u> | <u>2,393,933</u> | <u>2,563,159</u> |

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

**Notes to the condensed consolidated financial statements
for the three months period ended 31 March 2017 (continued)**

22. Seasonality of results

Dividend income of AED 141 thousand was recorded in the condensed consolidated statement of income for the three months period ended 31 March 2017 (three months period ended 31 March 2016: AED Nil).

23. Approval of condensed consolidated financial statements

These condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 29 April 2017.