رأس الخيمة العقارية
RAKPROPERTIES

Ref: RAKP/LA/048/2016
Date: 03rd November 2016

Mr. Saif Sayah Al-Mansuori

Head of Listing Companies Dept

Abu Dhabi Securities Exchange Market

Dear Sir:

Subject: Results of RAK Properties BOD Meeting held on 03rd November 2016

Pursuant to our letter dated 30th October 2016 , we would like to inform you that the company's BOD held its meeting at 10:30 am on Thursday , 03rd of November 2016 , in RAS Al Khaimah , and discussed the items set out on the agenda, the results of the meeting are as follows

Approval of the audited financial Statements for the third quarter 2016 ended 30th September 2016 (copy of the reviewed financials along with the BOD report are enclosed herewith)

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

Best Regards,

Mohammed Sultan Al Qadi
Managing Director &CEO

RAKP/LA/048/2016:المرجع
التاريخ 2016/11/03

السيد/ سيف صياح المنصوري المحترم

رئيس إدارة إدراج الشركات

سوق أبو ظبي للأوراق المالية

تحية طيبة وبعد،،،

الموضـــوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 2016/11/03

بالإشارة الى كتابنا المؤرخ 2016/10/30 نرجوا التكرم بالاحاطة بأن مجلس الادارة قد إجتمع في تمام الساعة العاشرة والنصف صباحاً وذلك يوم الخميس الموافق 2016/11/03 برأس الخيمة ، حيث تم مناقشة البنود المدرجة على جدول الأعمال ، وفيما يلي نتائج الاجتماع:

الموافقـــة علـــى النتـــائج الماليـــة المدققـــة للربـــع الثالـــث مـــن الســـنة الماليـــة 2016 والمنتهـــي فـــي 2016/09/30 (مرفـــق نســـخة عنهـــا طيـــاً إضـــافة الـــى تقريـــر مجلـــس الإدارة)

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

و تفضلوا بقبول فائق التقدير و الإحترام

محمد سلطان القاضي
العضو المنتدب / الرئيس التنفيذي

رأس الخيمة العقارية
RAKPROPERTIES

RAKPROPERTIES
رأس الخيمة العقارية

DIRECTORS REPORT FOR THE NINE MONTH ENDED 30TH SEPTEMBER 2016

On behalf of the board of Directors of RAK Properties PJSC, I am delighted to present the Financial Statements of the Group for the third quarter ended 30th September 2016.

During the first nine months of the year 2016, RAK Properties achieved the revenue of AED 305 million (AED 134 million for the same period in 2015)., resulting in the net profit of AED 79.15 million (AED 27.5 million for the same period in 2015)

Income Statement - Summary

		AED (000)
Description	**30th Sept 2016**	**30th Sept 2015**
Revenue	305,466	133,798
Cost of Revenue	(206,894)	(83,049)
Gross Profit	98,572	50,749
Net Profit	**79,146**	**27,489**

*Adopted IFRS 15 from 1st January 2016.

Balance Sheet - Summary

		AED (000)
Description	**30th Sept 2016**	**31st Dec 2015**
Non Current Assets	3,593,527	3,780,636
Current Assets	1,169,112	974,347
Total Assets	**4,762,639**	**4,754,983**
Non Current Liabilities	594,448	634,526
Current Liabilities	420,621	368,381
Total Equity	3,747,570	3,752,076
Total Equity & Liabilities	**4,762,639**	**4,754,983**

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RAKPROPERTIES
رأس الخيمة العقارية

Development in Progress

The Flamingo Villas Phase II is in the final stages of completion for hand over in October 2016. The Bermuda Villas is expected to be delivered in 2017. The enabling work is in progress for Anantara Mina Al Arab (Eco resort hotel).

The construction of the following projects is scheduled to be started soon:

RAK Properties announced the launch of the following projects during the Cityscape, Dubai held in September 2016.

- Small Island Development
- Julphar Residence, Reem Island, Abu Dhabi

Other Development Commitments

1. A residential building in Mohammad Bin Zayed City Abu Dhabi with 205 apartments ranging from studio to two bed rooms

2. A Five Star Hotel, Mina Al Arab, RAK

3. Two residential buildings in Mina Al Arab, RAK

Other Information

1. In April 2016 AED 100 million (5%) was paid as dividend for the year 2015 (2015 AED 100 million for year 2014).

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 nine months period ended 30 September 2016

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

Review report and consolidated interim financial information for the nine months period ended 30 September 2016

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 30 September 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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.)

Samir Madbak
Registration No. 386
3 November 2016

Condensed consolidated statement of financial position
At 30 September 2016

	Notes	30 September 2016 AED '000 (Unaudited)	31 December 2015 AED '000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	426,715	432,390
Investment properties	5	1,787,311	1,796,964
Investment properties under development	6	299,453	266,538
Trading properties under development	7	654,548	864,199
Investments	8	282,449	282,454
Advances		78,697	78,697
Trade and other receivables		64,354	59,394
Total non-current assets		3,593,527	3,780,636
Current assets			
Trading properties under development	7	200,116	-
Investments	8	36,841	33,393
Advances		82,000	82,860
Trading properties	9	336,356	439,104
Trade and other receivables		208,176	100,121
Bank balances and cash	10	305,623	318,869
Total current assets		1,169,112	974,347
Total assets		4,762,639	4,754,983

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

Condensed consolidated statement of financial position (continued)
At 30 September 2016

	Notes	30 September 2016 AED '000 (Unaudited)	31 December 2015 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
General reserve	13	540,163	540,163
Cumulative changes in fair value of available- for-sale investments		6,099	6,099
Retained earnings		201,308	205,814
Total equity		3,747,570	3,752,076
Non-current liabilities			
Provision for employees' end of service indemnity		3,980	3,669
Deferred government grants	5	570,902	570,902
Advances from customers		19,566	59,955
Total non-current liabilities		594,448	634,526
Current liabilities			
Borrowings	15	133,799	91,850
Advances from customers		2,204	7,213
Trade and other payables		284,618	269,318
Total current liabilities		420,621	368,381
Total liabilities		1,015,069	1,002,907
Total equity and liabilities		4,762,639	4,754,983

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 nine months period ended 30 September 2016

		Three months period ended 30 September		Nine months period ended 30 September	
		2016	2015	2016	2015
	Notes	AED '000	AED '000	AED '000	AED '000
Revenue	16	**158,363**	41,754	**305,466**	133,798
Cost of revenue		**(110,360)**	(26,474)	**(206,894)**	(83,049)
Gross profit		**48,003**	15,280	**98,572**	50,749
Other operating income		**443**	805	**3,728**	3,289
General and administrative expenses		**(10,035)**	(9,250)	**(28,467)**	(25,493)
Operating profit		**38,411**	6,835	**73,833**	28,545
Net change in fair value of investments at fair value through profit or loss		**1,469**	(2,207)	**3,448**	(1,949)
Finance income		**1,415**	1,092	**4,217**	3,790
Finance expenses		**(842)**	(923)	**(2,352)**	(2,897)
Profit for the period		**40,453**	4,797	**79,146**	27,489
Basic earnings per share for the period (AED)	17	**0.020**	0.002	**0.040**	0.014

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

Condensed consolidated statement of comprehensive income (unaudited)
for the nine months period ended 30 September 2016

	Three months period ended 30 September		Nine months period ended 30 September	
	2016	2015	**2016**	2015
	AED'000	AED'000	**AED'000**	AED'000
Profit for the period	**40,453**	4,797	**79,146**	27,489
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Board of Directors' remuneration	**-**	-	**(3,500)**	(3,000)
Total comprehensive income for the period	**40,453**	4,797	**75,646**	24,489

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

Condensed consolidated statement of changes in equity for the nine months period ended 30 September 2016

	Share capital	Statutory reserve	General reserve	Cumulative changes in fair value of available – for - sale investments	Retained earnings	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Balance at 31 December 2014 (audited)	2,000,000	1,000,000	524,153	28,920	164,729	3,717,802
Profit for the period	-	-	-	-	27,489	27,489
Other comprehensive loss for the period	-	-	-	-	(3,000)	(3,000)
Total comprehensive income for the period	-	-	-	-	24,489	24,489
Dividends (Note 14)	-	-	-	-	(100,000)	(100,000)
Balance at 30 September 2015 (unaudited)	2,000,000	1,000,000	524,153	28,920	89,218	3,642,291
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 (Note 22)	-	-	-	-	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	-	-	-	-	79,146	79,146
Other comprehensive loss for the period	-	-	-	-	(3,500)	(3,500)
Total comprehensive income for the period	-	-	-	-	75,646	75,646
Dividends (Note 14)	-	-	-	-	(100,000)	(100,000)
Balance at 30 September 2016 (unaudited)	**2,000,000**	**1,000,000**	**540,163**	**6,099**	**201,308**	**3,747,570**

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

Condensed consolidated statement of cash flows (unaudited) for the nine months period ended 30 September 2016

	Nine months period ended 30 September	
	2016	2015
	AED '000	AED '000
Cash flows from operating activities		
Profit for the period	79,146	27,489
Adjustments for:		
Depreciation of property and equipment	8,245	7,893
Finance income – net	(1,865)	(893)
Dividend income	(980)	(1,060)
Net change in fair value of investments at fair value through profit or loss	(3,448)	1,949
Gain on disposal of property and equipment	-	(5)
Provision for employees end of service indemnity	477	548
Operating cash flows before changes in operating assets and liabilities	81,575	35,921
Decrease in trading properties	108,217	62,488
Increase in trading properties under development	(12,763)	(99,837)
Increase in trade and other receivables	(100,152)	(2,255)
Decrease/(increase) in advances	860	(26,020)
Increase in trade and other payables	24,378	25,036
(Decrease)/increase in advances from customers	(7,402)	25,232
Cash generated from operating activities	94,713	20,565
Employees' end of service indemnity paid	(166)	(50)
Net cash generated from operations	94,547	20,515
Cash flows from investing activities		
Purchase of property and equipment	(2,570)	(2,014)
Proceeds on sale of property and equipment	-	8
Interest income received	411	5,243
Dividend income received	980	1,060
Proceeds from disposal of investments	-	11,337
Increase in investment properties under development	(32,915)	(13,255)
Net cash (used in)/generated from investing activities	(34,094)	2,379
Cash flows from financing activities		
Dividend paid	(104,349)	(91,823)
Repayment of term loan	(91,850)	-
Increase in bank overdraft	133,799	78,961
Interest paid	(3,450)	(4,690)
Board of Directors' remuneration	(3,500)	(3,000)
Net cash used in financing activities	(69,350)	(20,552)
Net (decrease)/ increase in cash and cash equivalents	(8,897)	2,342
Cash and cash equivalents at the beginning of the period	11,279	3,251
Cash and cash equivalents at the end of the period (Note 19)	2,382	5,593

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016

1. General information

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

The condensed consolidated financial statements as at and for the nine months period ended 30 September 2016 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 ("IFRSs")

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

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

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

The Group has not 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
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014).	1 January 2018
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.	1 January 2018

The standard contains requirements in the following areas:

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

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

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

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

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
Amendments to IFRS 4: Insurance Contracts which introduces the overlay approach and deferral approach towards implementing IFRS 9 before implementing the replacement standard that the IASB Board is developing for IFRS 4.	When IFRS 9 is first applied or 1 January 2021 under deferral approach.
IFRS 16 *Leases*: IFRS 16 specifies 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,	1 January 2019
Amendments to IAS 12 *Income taxes* seeks to clarify the requirements on recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, to address diversity in practice.	1 January 2017
Amendments to IAS 7 *Statement of Cash Flows*, which are intended to clarify the standard to improve information provided to users of financial statements about an entity's financing activities.	1 January 2017
Amendments to IFRS 2 Share-based Payment that clarify the classification and measurement of share-based payment transactions.	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 an 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 for the period beginning 1 January 2017 or 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.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)

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

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

IFRS 15 Revenue from contracts with customers was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted. The Group has reviewed the impact of IFRS 15 on its revenue from operations and has elected to early adopt it with effect from 1 January 2016. Refer Note 3.3 and Note 22 for further details.

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.

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 2015 except for the adoption of the new IFRSs which became effective as of 1 January 2016 and the early adoption of IFRS 15 "Revenue from contracts with customers" (refer Note 3.3).

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 2015. In addition, results for the nine months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The accounting policies in respect of property and equipment, investment properties, investment properties under development, trading properties under development, trading properties and investments disclosed in the annual audited consolidated financial statements for the year ended 31 December 2015 are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

3.3 Revenue recognition

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

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

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

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

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

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

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

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

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

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

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

3.3 Revenue recognition (continued)

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

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

3.4 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.

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.

3.5 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.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

3.6 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.

3.7 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.

3.8 Trading properties

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

3.9 Investments

3.9.1 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.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

3.9 Investments (continued)

3.9.1 Financial assets at FVTPL (continued)

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.

3.9.2 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.

3.9.3 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.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

3.10 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.

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.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

3. Summary of significant accounting policies (continued)

3.10 Basis of consolidation (continued)

3.10.1 Subsidiaries:

Details of the Company's subsidiaries at 30 September 2016 are as follows:

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

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

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

4. Property and equipment

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

5. Investment properties

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Inside U.A.E.	**1,787,311**	1,796,964

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. This deferred Government grant will be released to the condensed consolidated statement of income on fulfilment of the conditions stipulated by the Government.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

6. Investment properties under development

	Nine months period ended 30 September 2016 AED '000 (unaudited)	Year ended 31 December 2015 AED '000 (audited)
Balance at beginning of the period/year	266,538	267,016
Cost incurred	32,915	1,192
Transferred to property and equipment	-	(1,670)
Balance at end of the period/year	299,453	266,538

Investment properties under development are located in United Arab Emirates.

7. Trading properties under development

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Non- Current assets		
Inside U.A.E.	637,060	846,711
Outside U.A.E.	17,488	17,488
	654,548	864,199

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Current assets		
Inside U.A.E.	200,116	-

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

8. Investments

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Non-current investments		
Available-for-sale		
Private equity investments	380,475	380,475
Real estate fund	268,020	268,025
Less: provision for impairment	(374,316)	(374,316)
	274,179	274,184
Held to maturity investment	8,270	8,270
	282,449	282,454
Current investments		
At fair value through profit or loss	36,841	33,393

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
The details of the Group's investments are as follows:		
Non-current investments		
Available-for-sale		
Investments within United Arab Emirates		
Unquoted private equity investments	250,346	250,346
Unquoted funds	15,256	15,256
	265,602	265,602
Investments outside United Arab Emirates		
Unquoted private equity investments	130,129	130,129
Unquoted funds	252,764	252,769
	382,893	382,898
Gross value for non-current investments	648,495	648,500
Less: Provision for impairment	(374,316)	(374,316)
	274,179	274,184

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

9. Trading properties

	Nine months period ended 30 September 2016 AED '000 (unaudited)	Year ended 31 December 2015 AED '000 (audited)
Balance at beginning of the period/year	439,104	513,224
Transferred from investment properties	9,653	131,164
Cost of properties sold	(112,401)	(205,284)
Balance at end of the period/year	336,356	439,104

All trading properties are located in United Arab Emirates.

10. Bank balances and cash

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Cash in hand	20	20
Bank balances:		
Current accounts	858	8,436
Current accounts – unclaimed dividends	53,241	57,590
Call accounts	1,504	2,823
Term deposits	250,000	250,000
	305,623	318,869

Current accounts – unclaimed dividends should be utilised only for the payment of dividend.

Fixed deposit amounting to AED 250 million is under lien against bank overdraft facility. At 30 September 2016, outstanding balance in the bank overdraft amounting to AED 133,799 thousand (31 December 2015: Nil) (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 2015: AED 2 billion) divided into 2 billion shares with par value of AED 1 each.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

12. Statutory reserve

In accordance with United Arab Emirates Federal Law No. (2) of 2015, and Article 57 (1) 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 capital.The reserve is not available for distribution except in the circumstances stipulated by the law.

13. General reserve

In accordance with Article 57 (2) of 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 shareholders' general assembly upon the suggestion of the Board of Directors.

14. Dividends

At the Annual General Meeting held on 19 March 2016, the shareholders approved cash dividend of 5% amounting to AED 100 million (AED 5 fils per share) for the year ended 31 December 2015 (2014: 5%, AED 100 million). Shareholders also approved the Board of Directors' remuneration of AED 3.5 million for the year ended 31 December 2015 (2014: AED 3 million).

15. Borrowings

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Current liabilities		
Term loans	**-**	91,850
Bank overdraft	**133,799**	-
	133,799	91,850

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

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 250 million held with the bank in the name of the borrower;
- Undertaking to deposit all sale proceeds from the sale of properties in Mina Al Arab project in the overdraft account; and
- Undertaking to cover any excess over the sanctioned facilities from the Group's own sources.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)

16. Revenue

	Three months period ended 30 September		Nine months period ended 30 September	
	2016	2015	2016	2015
	AED '000	AED '000	AED '000	AED '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sale of properties	145,326	23,655	266,027	81,044
Forfeiture income	-	6,093	1,132	15,879
Facility management fee	6,868	5,990	20,142	17,711
Rental income	6,169	6,016	18,165	19,164
	158,363	41,754	305,466	133,798

17. Basic earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period (in AED '000)	40,453	4,797	79,146	27,489
Number of shares (in '000)	2,000,000	2,000,000	2,000,000	2,000,000
Basic earnings per share (in AED)	0.020	0.002	0.040	0.014

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.

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

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).

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

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Term deposits	**250,000**	250,000
Term loan	**-**	(91,850)
(Overdraft)/Current account with a bank	**(133,799)**	7,378

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

	Three months period ended 30 September		**Nine months period ended 30 September**	
	2016 AED '000 (unaudited)	2015 AED '000 (unaudited)	**2016 AED '000 (unaudited)**	2015 AED '000 (unaudited)
Key management remuneration:				
Salaries and benefits	**1,399**	1,401	**7,022**	7,039
End of service benefits	**89**	89	**264**	263
	1,488	1,490	**7,286**	7,302
Directors sitting fees	**30**	45	**645**	930
Directors remuneration	**-**	-	**3,500**	3,000
Interest income on term deposits	**1,278**	911	**3,806**	3,236
Interest expenses on term loans	**-**	1,162	**682**	3,448
Interest expenses on bank overdraft	**1,192**	386	**2,568**	851

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

18. Related party transactions (continued)

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. Out of these, the Group did not recognise 0.175 million square feet in these condensed consolidated financial statements as the development work has not commenced on these plots of land as at 30 September 2016.

19. Cash and cash equivalents

	30 September 2016 AED '000 (unaudited)	30 September 2015 AED '000 (unaudited)
Bank balances and cash	305,623	315,142
Current accounts – unclaimed dividend	(53,241)	(59,549)
Term deposits with maturity more than 3 months	(250,000)	(250,000)
	2,382	5,593

20. Commitments and contingent liabilities

	30 September 2016 AED '000 (unaudited)	31 December 2015 AED '000 (audited)
Approved and contracted	153,791	180,492

The Group has a legal case with one of the contractor and an arbitrational tribunal has been constituted. The management in consultation with the external lawyer have reviewed the status of the legal case and 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 nine months period ended 30 September 2016 (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 2015.

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

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

Financial assets	Fair value as at 30 September 2016 AED'000 unaudited	31 December 2015 AED'000 audited	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Available for sale						
Unquoted private equity investments and funds	274,179	274,184	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.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	27,799	24,542	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted investments	9,042	8,851	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value	Higher the net assets value of the investees, higher the fair value.

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (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 (unaudited) AED '000	Level 2 (unaudited) AED '000	Level 3 (unaudited) AED '000	Total (unaudited) AED '000
30 September 2016				
Available-for-sale				
Unquoted equity investments and funds	-	-	274,179	274,179
Financial assets carried at FVTPL				
Assets held for trading	27,799	-	9,042	36,841
Investment properties	-	-	1,787,311	1,787,311
Investment properties under Development	-	-	299,453	299,453
	27,799	-	2,369,985	2,397,784

Notes to the condensed consolidated financial statements for the nine months period ended 30 September 2016 (continued)

21. Fair value measurements (continued)

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

	Level 1 (audited) AED '000	Level 2 (audited) AED '000	Level 3 (audited) AED '000	Total (audited) AED '000
31 December 2015				
Available-for-sale				
Unquoted equities and funds	-	-	274,184	274,184
Financial assets carried at FVTPL				
Assets held for trading	24,542	-	8,851	33,393
Investment properties	-	-	1,796,964	1,796,964
Investment properties under Development	-	-	266,538	266,538
	24,542	-	2,346,537	2,371,079

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.

22. Impact of IFRS 15 adoption

The Group had opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly the standard has been applied to the period ended 30 September 2016 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2016 in the form of an adjustment to the opening balance of retained earnings as at that date.

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

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

Notes to the condensed consolidated financial statements
for the nine months period ended 30 September 2016 (continued)

22. Impact of IFRS 15 adoption (continued)

Adjustments to the interim condensed consolidated income statement for the period are detailed below:

	As per IFRS 15 (unaudited) AED'000	As per old policy (unaudited) AED'000	Impact due to change (unaudited) AED'000
Revenue	305,466	187,570	117,896
Cost of sales	(206,894)	(136,464)	(70,430)
Profit for the period	79,146	31,680	47,466

23. Seasonality of results

Dividend income of AED 980 thousand for the nine months period ended 30 September 2016 (Nine months period ended 30 September 2015: AED 1.06 million), which is of a seasonal nature.

24. Approval of condensed consolidated financial statements

These condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 3 November 2016.