

Ref: RAKP-LD-E-0158-271018-05
Date: 27th October 2018

المرجع: RAKP-LD-E-0158-271018-05
التاريخ: 27 أكتوبر 2018

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 أبوظبي للأوراق المالية

Dear Sir:

تحية طيبة وبعد،،،

Subject: Results of RAK Properties BOD Meeting held on 27th October 2018.

الموضوع: نتائج إجتماع مجلس ادارة شركة رأس الخيمة العقارية المنعقد بتاريخ 27 أكتوبر 2018

We would like to inform you that the company's BOD held its meeting at 10:00 am on Saturday, 27th October 2018, in the company's premises in Ras Al Khaimah, and discussed the items set out on the agenda and the BOD has adopted the following decision:

نرجوا التكرم بالعلم بأن مجلس الادارة قد إجتمع في تمام الساعة 10:00 صباحاً وذلك يوم السبت الموافق 27 أكتوبر 2018 بمقر الشركة برأس الخيمة ، حيث تم مناقشة البنود المدرجة على جدول الأعمال وتم اتخاذ القرار التالي:

Approved the audited financial statements of the third quarter of 2018.

الموافقة على واعتماد البيانات المالية المدققة للربع الثالث من عام 2018.

And the Board has also taken some administrative decisions that have no effect on the price of the shares.

وتم اتخاذ بعض القرارات الإدارية الاعتيادية التي ليس لها تأثير على سعر السهم وحركته في السوق.

Thanking you for your support, we assure you our continued co-operation

شاكرين لكم حسن دعمكم، مؤكداً لكم تعاوننا الدائم

Best Regards,

و تفضلوا بقبول فائق التقدير والإحترام

Dr. Ahmed Hossam El Saghir
Legal Advisor and Board Secretary



د. أحمد حسام الدين الصغير
المستشار القانوني و أمين سر مجلس الإدارة

Directors Report for the nine month ended 30th September 2018

On behalf of the board of Directors of RAK Properties PJSC, I am pleased to present the Financials results of the Company for the nine month ended 30th September 2018.

During first nine months of 2018, RAK Properties achieved a revenue of AED 79 M. (2017 AED 270 M) and net profit of AED 6 M (2017 AED 75 M). Total asset of the group is AED 5.3 Billion

Brief summary of the financial as follows:

AED '000

Income Statement	30th Sept. 2018	30th Sept. 2017
Revenue	79,171	269,878
Cost of Revenue	(39,106)	(160,176)
Gross Profit	40,065	109,702
Profit for the period	6,127	74,730
Balance Sheet	30th Sept. 2018	31st Dec. 2017
Non current Assets	3,962,141	3,976,437
Current Assets	1,341,959	1,183,322
Total Assets	5,304,100	5,159,759
Non current Liabilities	824,702	652,755
Current Liabilities	699,199	583,637
Total Equity	3,780,199	3,923,367
Total Equity & Liabilities	5,304,100	5,159,759

Major Projects Update:

Residential Projects

Gateway Residence, a 144 apartments B+G+8 floor residential building in Al Raha Island, at the heart of Mina Al Arab Ras Al Khaimah. The project is progressing and handover is expected in 2019.



Julphar Residence, a 24- story, modern style residential tower with 266 apartments ranging from studios to spacious 3 bedroom, located at the Al Reem Island, Abu Dhabi. The construction of this tower is as per schedule and expected to be delivered in 2019.

Bay Residences – a mixed used development with 4 towers build on same podium comprise of 569 apartments and 16 townhouses designed to exemplify and accentuate the idyllic natural environment in the Hayat island, Mina Al Arab, Ras Al Khaimah facing Angel Bay - an ultimate weekend gateway for entertainment. The construction of this project will start soon

Marbella Villas, launched during this quarter, a spacious luxury accommodation with extraordinary services and comforts, the project comprised of 205 luxury, standard villas and townhouses in Hayat Island Mina Al Arab Ras Al Khaimah.

Hospitality Projects

Anantara Hotel & Resort, A 306-room luxury resort featuring the emirate's first Maldivian inspired overwater villas, the project is under construction in Mina Al Arab and expected to be completed by the end of next year

Intercontinental Hotel & Resort, An internationally renowned hotel group to operate the 350-room, 5star luxury hotel & resort, featuring luxury suites, health club, spa, swimming pools and gymnasium, the project is expected to be completed by the end of next year

Mohammad Sultan Al Qadi
Managing Director

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

**Review report and consolidated interim
financial information for the nine months
period ended 30 September 2018**

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

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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 30 September 2018 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.)



Signed by:
Samir Madbak
Registration No. 386
27 October 2018
Sharjah, United Arab Emirates

**Condensed consolidated statement of financial position
At 30 September 2018**

	Notes	30 September 2018 AED '000 (Unaudited)	31 December 2017 AED '000 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	651,322	577,771
Investment properties	5	2,029,432	2,023,147
Investment properties under development	6	293,587	279,720
Trading properties under development	7	543,230	610,092
Investments	8	238,890	245,961
Advances		18,228	18,228
Trade and other receivables		187,452	221,518
Total non-current assets		3,962,141	3,976,437
Current assets			
Trading properties under development	7	140,445	13,924
Inventories		744	771
Investments	8	30,439	33,243
Advances		127,411	75,487
Trading properties	9	494,466	499,969
Trade and other receivables		147,943	207,307
Bank balances and cash	10	400,511	352,621
Total current assets		1,341,959	1,183,322
Total assets		5,304,100	5,159,759

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

Condensed consolidated statement of financial position (continued)
At 30 September 2018

	Notes	30 September 2018 AED '000 (Unaudited)	31 December 2017 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	576,826	576,826
Cumulative changes in fair value reserve		(337,302)	(589)
Retained earnings		540,675	347,130
Total equity		3,780,199	3,923,367
Non-current liabilities			
Provision for employees' end of service indemnity		2,999	4,788
Deferred government grants	5	614,115	614,115
Advances from customers		23,254	19,284
Borrowings	15	184,334	14,568
Total non-current liabilities		824,702	652,755
Current liabilities			
Advances from customers		3,670	10,164
Borrowings	15	443,887	338,012
Trade and other payables		251,642	235,461
Total current liabilities		699,199	583,637
Total liabilities		1,523,901	1,236,392
Total equity and liabilities		5,304,100	5,159,759



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 2018**

	Notes	Three months period ended 30 September		Nine months period ended 30 September	
		2018 AED '000	2017 AED '000	2018 AED '000	2017 AED '000
Revenue	16	3,737	58,116	79,171	269,878
Cost of revenue		(3,287)	(32,871)	(39,106)	(160,176)
Gross profit		450	25,245	40,065	109,702
Other operating income		4,590	3,267	14,836	6,646
General and administrative expenses		(12,986)	(23,526)	(37,925)	(46,693)
Operating (loss)/profit		(7,946)	4,986	16,976	69,655
Gain on sale of investments		-	4,670	-	4,670
Provision for impairment on other receivables	20	(15,022)	-	(16,127)	-
Net change in fair value of investments at fair value through profit or loss		(1,669)	(632)	(2,209)	(5,256)
Dividend income		-	300	3,600	1,046
Finance income - net		1,809	3,739	3,887	4,615
(Loss)/profit for the period		(22,828)	13,063	6,127	74,730
Basic (loss)/earnings per share for the period (AED)	17	(0.011)	0.006	0.003	0.04

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 2018**

	Three months period ended 30 September		Nine months period ended 30 September	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
(Loss)/profit for the period	(22,828)	13,063	6,127	74,730
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
On disposal of available-for-sale investments	-	(9,450)	-	(9,450)
Increase/(decrease) in fair value of available- for- sale investments	1,159	(3,480)	(6,381)	(3,480)
Other comprehensive income/(loss) for the period	1,159	(12,930)	(6,381)	(12,930)
Total comprehensive (loss)/income for the period	(21,669)	133	(254)	61,800

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 2018

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative changes in fair value reserve AED '000	Retained earnings AED '000	Total AED '000
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	-	-	-	-	74,730	74,730
Other comprehensive loss for the period	-	-	-	(12,930)	-	(12,930)
Total comprehensive income for the period	-	-	-	(12,930)	74,730	61,800
Board of Directors' remuneration	-	-	-	-	(5,000)	(5,000)
Dividend paid (Note 14)	-	-	-	-	(100,000)	(100,000)
Balance at 30 September 2017 (unaudited)	2,000,000	1,000,000	557,644	805	249,225	3,807,674
Balance at 31 December 2017 (audited)	2,000,000	1,000,000	576,826	(589)	347,130	3,923,367
Adjustment on adoption of IFRS 9 (Note 2.1)	-	-	-	(330,332)	312,681	(17,651)
Restated balance at 1 January 2018	2,000,000	1,000,000	576,826	(330,921)	659,811	3,905,716
Profit for the period	-	-	-	-	6,127	6,127
Other comprehensive loss for the period	-	-	-	(6,381)	-	(6,381)
Total comprehensive loss for the period	-	-	-	(6,381)	6,127	(254)
Board of Directors' remuneration	-	-	-	-	(5,263)	(5,263)
Dividends (Note 14)	-	-	-	-	(120,000)	(120,000)
Balance at 30 September 2018 (unaudited)	2,000,000	1,000,000	576,826	(337,302)	540,675	3,780,199

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 2018**

	Nine months period ended 30 September	
	2018 AED '000	2017 AED '000
Cash flows from operating activities		
Profit for the period	6,127	74,730
Adjustments for:		
Depreciation of property and equipment	10,682	9,215
Finance income – net	(3,887)	(4,615)
Dividend income	(3,600)	(1,046)
Net change in fair value of investments at fair value through profit or loss	2,209	5,256
Gain on disposal of property and equipment	-	(8)
Gain on disposal of investment	-	(4,670)
Provision for impairment on other receivables	16,127	-
Operating cash flows before changes in operating assets and liabilities	27,658	78,862
Decrease in trading properties	5,503	38,313
(Increase)/decrease in trading properties under development	(53,065)	17,165
Decrease/(increase) in trade and other receivables	65,950	(122,709)
(Increase)/decrease in advances	(58,209)	17,658
Increase/(decrease) in trade and other payables	19,553	(62,401)
Decrease in inventories	27	-
(Decrease)/Increase in advances from customers	(2,524)	8,827
Cash generated from/(used in) operating activities	4,893	(24,285)
Employees' end of service indemnity paid	(53)	(282)
Net cash generated from /(used in) operations	4,840	(24,567)
Cash flows from investing activities		
Purchase of property and equipment	(84,233)	(873)
Purchase of investments	(325)	-
Proceeds on sale of property and equipment	-	8
Interest income received	1,086	578
Dividend income received	3,600	1,046
Increase in term deposit	(50,000)	(35,000)
Proceeds from disposal of investments	920	551
Increase in investment properties under development	(13,867)	(49,796)
Net cash used in investing activities	(142,819)	(83,486)
Cash flows from financing activities		
Dividend paid	(122,554)	(100,696)
Increase in term loans	159,766	-
Increase in bank overdraft	115,875	216,837
Interest paid	(9,401)	(5,631)
Board of Directors' remuneration	(5,263)	(5,000)
Net cash generated from financing activities	138,423	105,510
Net increase/(decrease) in cash and cash equivalents	444	(2,543)
Cash and cash equivalents at the beginning of the period	2,249	4,594
Cash and cash equivalents at the end of the period (Note 19)	2,693	2,051

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 2018**

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 2018 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.

As required by Abu Dhabi Securities Exchange, the Company's management has reviewed books of accounts and concluded that there is no exposure to the Abraaj Group.

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

2.1 New and revised IFRS applied

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2018, 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, except for IFRS 9 adoption.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

- there is consideration that is denominated or priced in a foreign currency;
 - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.
- Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions
 - Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.
 - 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.

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

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

2.1 New and revised IFRS applied (continued)

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

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’ (FVOCI) measurement category for certain simple debt instruments.

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the condensed consolidated financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 ‘Financial Instruments: Disclosures’.

There were no changes to the classification and measurement of financial liabilities. The accounting policies of financial instruments as per IAS 39 are disclosed in note 3.8 to the condensed consolidated financial statements. Comparatives for condensed consolidated statement of cash flows are not affected on account of this adoption of IFRS 9.

Significant accounting policies introduced on adoption of IFRS 9

Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- (i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

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

2.1 New and revised IFRS applied (continued)

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

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Classification and measurement - Financial assets (continued)

- (ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI);
- (iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
 - a. the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
 - b. the Group may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Equity instruments at FVOCI

Investments in equity instruments/funds at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments, but reclassified to retained earnings. The Group has designated all investments in equity instruments that are not held for trading as FVOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to condensed consolidated statement of income.

Debt instruments at amortised cost or at FVOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group’s business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

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

2.1 New and revised IFRS applied (continued)

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

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Debt instruments at amortised cost or at FVOCI (continued)

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to condensed consolidated statement of income but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an “accounting mismatch”).

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group’s financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

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

2.1 New and revised IFRS applied (continued)

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

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an expected credit loss model (ECLs). The Group recognises loss allowances for expected credit losses on the following financial instruments that are not measured at FVTPL:

- Cash and bank balances;
- Loans and advances
- Trade receivables and
- Other receivables;

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group has elected to measure loss allowances for bank balances and cash, advances, trade and other receivables at an amount equal to life time ECLs.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Group’s historical experience and informed credit assessment and including forward-looking information.

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

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

2.1 New and revised IFRS applied (continued)

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

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Impairment (continued)

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to loans and advances are presented separately in the condensed consolidated statement of profit or loss and OCI.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

Measurement of ECL

The Group employs statistical models for ECL calculations.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset’s EIR.

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

Credit-impaired financial assets

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised costs and debt securities at FVOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the condensed consolidated financial statements

Loss allowances for ECL are presented in the condensed consolidated financial statements as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognised in the condensed interim statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in revaluation reserve and recognised in other comprehensive income;

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

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

2.1 New and revised IFRS applied (continued)

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

Presentation of allowance for ECL in the condensed consolidated financial statements (continued)

Impact on condensed consolidated financial statements

The following table reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 for the Group’s financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 AED '000	Adjustments AED '000	New carrying amount under IFRS 9 AED '000
Investments securities- Equity (a)	Available-for-sale	FVOCI – equity	245,271	-	245,271
Investment securities – debt	Held to maturity investment	Amortised cost	690	-	690
Investment securities – mutual funds	Held for trading	FVTPL	33,243	-	33,243
Trade and other receivables and Advances (b)	Loans and receivables	Amortised cost	455,514	(17,651)	437,863
Bank balances and cash (b)	Loans and receivables	Amortised cost	352,621	-	352,621

- a) The equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. On transition to IFRS 9, an allowance for impairment of AED 330,332 thousand was recognized as an increase in opening retained earnings and a decrease in cumulative changes in fair value reserve as at 1 January 2018.
- b) Trade and other receivables and Advances and bank balances and cash that were classified as loans and receivables under IAS 39 are now classified as amortised cost. An increase of AED 17,651 thousand (non-cash transaction) in the allowance for impairment over these receivables was recognized at 1 January 2018 on adoption of IFRS 9.

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

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

2.1 New and revised IFRS applied (continued)

- 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
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9

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 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances. 	1 January 2019
Amendments to IFRS 9 <i>Financial Instruments</i> : Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
IFRS 16 <i>Leases</i>	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.	

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (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
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IFRS 17 <i>Insurance contracts</i>	1 January 2021
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The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
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Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (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.
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Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s condensed consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

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 IAS 34.

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*”.

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.

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of investment properties, investment properties under development and certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The 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 2017, except for those relating to adoption of IFRS 9 which are disclosed in Note 2.1 to this condensed consolidated financial statements.

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 2017. In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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. 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.

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

3. Summary of significant accounting policies (continued)

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 nine months period ended 30 September 2018 (continued)

3. Summary of significant accounting policies (continued)

3.8 Investments

These accounting policies (refer note 3.8.1 to 3.8.3) are for the comparative figures. Refer note 2.1 for the accounting policies introduced on adoption of IFRS 9.

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 re-measurement 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 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 condensed consolidated statement of income.

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

3. Summary of significant accounting policies (continued)

3.8 Investments (continued)

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

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.

3.8.3 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.

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

3. Summary of significant accounting policies (continued)

3.9 Basis of consolidation (continued)

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.

3.9.1 Subsidiaries:

Details of the Company's subsidiaries at 30 September 2018 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

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Inside U.A.E.	2,029,432	2,023,147

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (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, since then management has released AED 42.64 million to the consolidated statement of income.

6. Investment properties under development

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Balance at beginning of the period/year	279,720	295,299
Cost incurred	13,867	60,646
Transferred to trading property under development	-	(10,327)
Transferred to property and equipment	-	(65,898)
	<hr/>	<hr/>
Balance at end of the period/year	293,587	279,720
	<hr/> <hr/>	<hr/> <hr/>

Investment properties under development are located in United Arab Emirates.

7. Trading properties under development

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Non- current assets		
Inside U.A.E.	526,704	593,566
Outside U.A.E.	16,526	16,526
	<hr/>	<hr/>
Balance at the end of the period/year	543,230	610,092
	<hr/> <hr/>	<hr/> <hr/>
Current assets		
Inside U.A.E.	140,445	13,924
	<hr/>	<hr/>
Balance at the end of the period/year	683,675	624,016
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)

8. Investments

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
<i>Non-current investments</i>		
<i>Fair value through other comprehensive income (FVOCI)/available-for-sale</i>		
Equity investments	402,172	408,553
Real estate fund	167,050	167,050
	<u>569,222</u>	<u>575,603</u>
Financial investments at amortised cost/held to maturity investment	-	8,270
	<u>569,222</u>	<u>583,873</u>
Less: provision for impairment	<u>(330,332)</u>	<u>(337,912)</u>
	<u>238,890</u>	<u>245,961</u>
 <i>Current investments</i>		
At fair value through profit or loss (FVTPL)	30,439	33,243
	<u>30,439</u>	<u>33,243</u>
The details of the Group's investments were as follows:		
	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
<i>Non-current investments</i>		
<i>Fair value through other comprehensive income (FVOCI) /available-for-sale</i>		
<i>Investments within United Arab Emirates</i>		
Unquoted private equity investments	240,723	240,723
Unquoted funds	15,256	15,256
	<u>255,979</u>	<u>255,979</u>
<i>Investments outside United Arab Emirates</i>		
Unquoted private equity investments	119,106	119,106
Unquoted funds	151,794	151,794
Quoted securities	42,343	48,724
	<u>313,243</u>	<u>319,624</u>
<i>Financial investments at amortised cost/held to maturity Investment</i>		
Unquoted debt instrument placed outside United Arab Emirates	-	8,270
	<u>569,222</u>	<u>583,873</u>
Gross value for non-current investments	<u>(330,332)</u>	<u>(337,912)</u>
Less: Provision for impairment	<u>238,890</u>	<u>245,961</u>

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

8. Investments (continued)

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

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
<i>Current investments – FVTPL</i>		
Quoted equity securities inside U.A.E.	17,345	21,974
Unquoted investments outside U.A.E.	13,094	11,269
	<u>30,439</u>	<u>33,243</u>

9. Trading properties

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Balance at beginning of the period/year	499,969	354,187
Transferred from trading property under development	-	268,023
Cost of properties sold - net	(5,503)	(122,241)
Balance at end of the period/year	<u>494,466</u>	<u>499,969</u>

All trading properties are located in United Arab Emirates.

10. Bank balances and cash

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Cash in hand	20	9
Bank balances:		
Current accounts	1,655	910
Current accounts – unclaimed dividends	47,818	50,372
Call accounts	1,018	1,330
Term deposits	350,000	300,000
	<u>400,511</u>	<u>352,621</u>

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

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

10. Bank balances and cash (continued)

Bank balances and cash include term deposits amounting to AED 350 million (2017: AED 300 million) with a maturity period of more than three months, which accordingly are not included in cash and cash equivalents. The effective average interest rate on deposits was 2.25% to 3% per annum (2017: 2% to 2.75% per annum). Term deposits amounting to AED 350 million is under lien against bank borrowings.

The outstanding balance in bank overdraft is AED 420 million (2017: AED 328 million) (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 2017: AED 2 billion) divided into 2 billion shares with par value of AED 1 each.

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 2017 as the balance in the reserve has reached 50% of Company's paid up share capital.

13. General reserve

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

14. Dividends

At the annual general meeting held on 17 March 2018, the shareholders approved cash dividend of 6% amounting to AED 120 million (AED 6 fils per share) for the year ended 31 December 2017 (2016: 5%, AED 100 million). Shareholders also approved the Board of Directors' remuneration of AED 5.3 million for the year ended 31 December 2017 (2016: AED 5 million).

15. Borrowings

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Term loans	184,334	24,568
Bill discounting	23,433	-
Bank overdraft	420,454	328,012
	<u>628,221</u>	<u>352,580</u>

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

15. Borrowings (continued)

The borrowings are repayable as follows:

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
On demand or within one year	443,887	338,012
In the second and subsequent years	184,334	14,568
	<u>628,221</u>	<u>352,580</u>
Less: Amount due for settlement within 12 months from the reporting date (shown under current liabilities)	(443,887)	(338,012)
	<u>184,334</u>	<u>14,568</u>

The Group obtained overdraft facility of AED 450 million from commercial banks. Interest on overdraft will be computed at 0.50% over the fixed rate up to the fixed deposit amount, and overdraft balance exceeding the deposit balance will be charged at 3 months EIBOR + 3.20% per annum with a minimum interest of 4.25% per annum.

The Group has a bill discounting facility of AED 50 million from a commercial bank.

The overdraft facility of the Group is secured by:

- Lien over fixed deposit for AED 350 million held with the bank in the name of the borrower.
- Undertaking to deposit all sale proceeds from the sale of properties in Mina Al Arab project in the overdraft account; and
- Undertaking to cover any excess over the sanctioned facilities from the Company's own sources.

The Group has obtained the following loans:

- Term loan facility of AED 358 million from a commercial bank to finance the construction of the hotel project. This facility is repayable in 28 equal quarterly instalments commencing 3 years from the date of first drawdown and carries an interest rate of 3.40% over 3 months Emirates Interbank Offer Rate (EIBOR). The drawdown balance outstanding at 30 September 2018 amounted to AED 45.75 million (2017: AED 3.47 million).
- Term loan facility of AED 116 million from a commercial bank for the construction of a residential property. This facility is repayable in 6 half yearly instalments commencing 2 years from the date of first drawdown and carries an interest rate of 2.75% over 1 month EIBOR subject to a minimum of 4.50% p.a. The drawdown balance outstanding at 30 September 2018 amounted to AED 27.71 million (2017: AED 11.10 million).
- Term loan facility of AED 250 million from a commercial bank to finance the construction of the hotel project. The facility is repayable in 30 equal quarterly instalments commencing 2.5 years from the date of first drawdown and carries an interest rate of 3.40% over 3 months Emirates Interbank Offer Rate (EIBOR). The drawdown balance outstanding at 30 September 2018 amounted to AED 40.97 million (2017: Nil).
- Medium term loan of AED 50 million from a commercial bank to meet the enhanced working capital requirements of the Company. This facility is repayable within 180 days from each tranche and carries an interest rate of 3.20% over 3 months EIBOR subject to a minimum of 4.25% p.a. During the period, the loan was repaid in full. Balance outstanding as on 31 December 2017 was AED 10 million.

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

15. Borrowings (continued):

The Group has obtained the following loans (continued):

- Term loan from a commercial bank to finance the construction of the specified projects. The total facility is AED 300 million or 80% loan to value against Securities whichever is lower. This facility is repayable in 32 equal quarterly instalments commencing 90 days after the end of last drawdown or 9th quarter from the first drawdown date, whichever is earlier and ending on the final maturity date. The facility carries an interest rate of 2.75% per annum over 3 months Emirates Interbank Offer Rate (EIBOR). The drawdown balance outstanding at 30 September 2018 amounted to AED 69.90 million (2017: Nil).

Loans are secured against the following:

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

16. Revenue

	Three months period ended 30 September		Nine months period ended 30 September	
	2018 AED '000 (unaudited)	2017 AED '000 (unaudited)	2018 AED '000 (unaudited)	2017 AED '000 (unaudited)
Sale of properties (net)*	(13,728)	43,693	27,493	229,010
Forfeiture income	2,790	-	8,251	-
Facility management fee	7,060	6,552	19,682	18,215
Rental income	7,615	7,871	23,745	22,653
	<u>3,737</u>	<u>58,116</u>	<u>79,171</u>	<u>269,878</u>

* Sale of properties is net of repossessed units.

17. Basic (loss)/ earnings per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
(Loss)/profit for the period (in AED '000)	(22,828)	13,063	6,127	74,730
Number of shares (in '000)	2,000,000	2,000,000	2,000,000	2,000,000
Basic (loss)/earnings per share (in AED)	<u>(0.011)</u>	<u>0.006</u>	<u>0.003</u>	<u>0.04</u>

Basic earnings per share is calculated by dividing the (loss)/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 2018 (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 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Term deposits	250,000	250,000
Bank overdraft	(321,087)	(287,054)
Term loan	-	(10,000)

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	
	2018 AED '000 (unaudited)	2017 AED '000 (unaudited)	2018 AED '000 (unaudited)	2017 AED '000 (unaudited)
Key management remuneration:				
Salaries and benefits	1,609	1,266	7,383	7,223
End of service benefits	72	92	251	268
	<u>1,681</u>	<u>1,358</u>	<u>7,634</u>	<u>7,491</u>
Directors remuneration	-	-	5,263	5,000
Interest income on term deposits	1,757	1,598	5,214	4,740
Purchase of services (including advances)	3,293	-	47,098	-
Interest expenses	2,766	2,115	8,027	5,194

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 nine months period ended 30 September 2018 (continued)

19. Cash and cash equivalents

	30 September 2018 AED '000 (unaudited)	30 September 2017 AED '000 (unaudited)
Bank balances and cash – net	400,511	354,109
Current accounts – unclaimed dividends	(47,818)	(52,058)
Term deposits with maturity more than three months	(350,000)	(300,000)
	<u>2,693</u>	<u>2,051</u>

20. Provision for impairment on other receivables

During the period, the Government of Ras Al Khaimah decided to close the operations of Polo RAK Amusements LLC. Accordingly, the management has accounted for impairment provision against the receivable from Polo RAK Amusements LLC amounting to AED 16.13 million.

21. Commitments and contingent liabilities

Commitments relating to the property development are as follows:

	30 September 2018 AED '000 (unaudited)	31 December 2017 AED '000 (audited)
Approved and contracted	845,046	1,040,011

22. 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 condensed consolidated financial statements approximate their fair values.

**Notes to the condensed consolidated financial statements
For the nine months period ended 30 September 2018 (continued)**

22. 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 2017.

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2018 AED'000 (unaudited)	31 December 2017 AED'000 (audited)				
Fair value through other comprehensive income/available-for-sale						
Unquoted private equity investments and funds	108,974	108,974	Level 3	Net assets/ adjusted net asset value valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. wherever information is available.	Net assets value/ Market approach	Higher the net assets value of the investees, higher the fair value.
Unquoted private equity investments and funds	87,573	87,573	Level 2			
Quoted equity securities	42,343	48,724	Level 1	Quoted bid prices in an active market.	None	NA
Financial assets at FVTPL						
Quoted equity securities	17,345	21,974	Level 1	Quoted bid prices in an active market.	None	NA
Unquoted investments	13,094	11,269	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 nine months period ended 30 September 2018 (continued)**
22. 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)
30 September 2018 (unaudited)				
Fair value through other comprehensive income				
Unquoted equities and funds	-	87,573	108,974	196,547
Quoted equity securities	42,343	-	-	42,343
Financial assets carried at FVTPL				
Assets held for trading	17,345	-	13,094	30,439
Investment properties	-	-	2,029,432	2,029,432
Investment properties under development	-	-	293,587	293,587
	59,688	87,573	2,445,087	2,592,348
	Level 1 AED '000 (audited)	Level 2 AED '000 (audited)	Level 3 AED '000 (audited)	Total AED '000 (audited)
31 December 2017 (audited)				
Available-for-sale				
Unquoted equities and funds (Gross value)	-	87,573	108,974	196,547
Quoted equity securities	48,724	-	-	48,724
Financial assets carried at FVTPL				
Assets held for trading	21,974	-	11,269	33,243
Investment properties	-	-	2,023,147	2,023,147
Investment properties under development	-	-	279,720	279,720
	70,698	87,573	2,423,110	2,581,381

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 nine months period ended 30 September 2018 (continued)****23. Seasonality of results**

Dividend income of AED 3,600 thousand was recorded in the condensed consolidated statement of income for the nine months period ended 30 September 2018(nine months period ended 30 September 2017: AED 1,046 thousand).

24. Approval of condensed consolidated financial statements

These condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 October 2018.