Annual Report 2019

AMLAK

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About Amlak

Amlak Finance PJSC is a leading specialized real estate financier in the Middle East. Since its establishment in November 2000 as the region's pioneer financial services provider, it has provided its customers with innovative, Sharia-compliant property financing products and solutions designed to meet the rapidly evolving market demands.

It was first established as a private shareholding company in Dubai, United Arab Emirates, in accordance with UAE Federal Law. In 2004, it was converted to a Public Joint Stock Company.

The Company is licensed by the UAE Central Bank as a finance company. It is primarily focused on financing and investing activities based on structures such as Ijara, Murabaha, Mudaraba, Wakala and Musharaka. All activities of the Company are conducted in accordance with Islamic Sharia and within the provisions of its Articles and Memorandum of Association.

During 2007, Amlak expanded its operations and launched its first international office in Cairo, which operates under the name 'Amlak Finance Egypt Company S.A.E.' It also has business associations in Saudi Arabia under the name 'Amlak International For Real Estate and Finance Co.'.

Over the years, Amlak Finance has received a number of prestigious awards. These achievements are a testament to the Company's leading services, diligent corporate values, and ongoing efforts toward innovation.

The most recent awards include:

- Global Islamic Business Award (GIBA)
- Best Sharia Compliant Property Finance Company
- Best Islamic Finance CSR Company in UAE
- Dubai Chamber of Commerce and Industry's CSR Label

Today, through a variety of customized property finance solutions, Amlak enables individuals and businesses to achieve their goals of owning a property in the UAE and remains committed to making a positive contribution not just to its customers, but also the wider UAE community.

Chairman's Message

It gives me great pleasure to present the Amlak Finance Annual Report for 2019. As was evident, 2019 saw us traverse some challenging times in the real estate sector in the UAE and the region as a whole. However, I am pleased to report that Amlak's revenue from financing and investing assets was broadly in line with 2018.

However, the market conditions notwithstanding, Amlak's reported net loss at the end of 2019 was AED 320 million, compared to AED 272 million loss in 2018 - an increase of 17.6%. Our total revenues, including unrealized fair value loss related to investment, stood at AED 260 million in 2019, down by 15.3% compared to AED 307 million in 2018. This decrease was largely attributable to a more conservative approach in assets valuation.

Revenues from financing business activities, meanwhile, remained relatively stable at AED 172 million in 2019 compared to AED 174 million the previous year. Our rental income decreased by 11% in the past 12 months to AED 57 million, compared to AED 64 million in the previous year.

The Company was also awarded AED 780 million in an arbitration administered by the Dubai International Arbitration Centre. The ruling also awarded Amlak Finance with the legal costs and additional compensation.

As we head into 2020, Amlak is looking forward to exploring new opportunities that will enable us to navigate the changing market realities and enable us to refocus on our broader strategy to steer the company towards a brighter future. Completing all renegotiations of our debt restructuring with our financiers gives us greater flexibility as a company and will enable us to leverage the opportunities that lie ahead of us.

In the long term we will continue to seek sustainable growth for the Company and I look forward to the next 12 months with confidence that we will provide exceptional customer service, create growth for our employees, and fulfil our corporate social responsibility.

I would also like to add that globally, the COVID-19 situation has indeed altered the way we do business, and the way we conduct our daily lives. However, the health and safety of our employees is paramount and we are monitoring the situation closely to ensure business continuity and the well-being of our stakeholders, customers and employees.

On behalf of the Board of Directors, I would like to express my gratitude to His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice president and Prime Minister of the UAE and Ruler of Dubai for his wise leadership – his vision is what drives excellence in the Company and across all sectors in the UAE.

Finally, I would like to extend my heartfelt thanks to the management and employees for their dedication and hard work over the past year. Without their contributions, Amlak would not be able to achieve the milestones it has and drive the business to deliver on its strategy, vision, mission and values. I would also like to extend our appreciation to our valued customers and shareholders for their unwavering support of and loyalty to Amlak Finance.

Ali Ibrahim Mohammad
Chairman of the Board

Managing Director & CEO's Message

Over the past 12 months, Amlak Finance has witnessed several developments. It's no secret that 2019 posed several challenges, however we are pleased to say that Amlak navigated its way through these often tumultuous times with resilience and steady progress.

Keeping in mind the market overview, in 2019, our total revenue was down by 15.3%, and we saw an increase in the overall net loss by 17.6%. However, our revenue from financing business activities remained stable, and our focus on efficient operations in 2019 have successfully delivered a 20% reduction in operating costs.

At the start of 2019, Amlak approached its financiers to renegotiate funding conditions to allow it more flexibility in adapting to current market conditions and completed all negotiations in Q1, 2020, and is now well-advanced in the documentation phase.

On another front, we were on schedule on our key real estate projects, specifically, Amlak's stand alone labour camp project which consists of eight labour camps. The completion of these projects underscores the fact that Amlak is on track when it comes to managing its developments' timely completion and within budget.

Another key milestone of 2019 was when we were awarded AED 780 million in an arbitration administered by the Dubai International Arbitration Centre. Amlak Finance won the arbitration and was also awarded all legal costs along with additional compensation. Separately, we have also made recoveries after winning another three litigation cases in the past year. I am equally pleased to announce that Amlak's subsidiaries and associates, and international investments having performed well and yielded good dividends.

As we move into 2020, we aim to further strengthen the company through thoughtful planning and the launch of new strategic initiatives to diversify our portfolio and build our capabilities: our people, products and systems. We remain confident that our strong internal processes and measured approach will enable us to leverage the opportunities that lie ahead.

As part of our commitment to become more customer-centric and provide better services to our clients, we will initiate a new project that will review and assess several key aspects of our business. We will work towards re-aligning ourselves to become more competitive, increase origination by re-aligning our products, target market and sourcing strategy.

Furthermore, in the coming year, we will launch a fresh cost-cutting and efficiency-enhancing drive across the organization, where we will set up work-teams responsible for different areas of business. These work-teams will collaborate to enhance company policies and procedures, improve customer satisfaction and the overall experience with Amlak, and look at increasing business.

One key point I would like to address is the remarkable display of commitment by all of Amlak's leadership and top management that have actively volunteered to reduce their remuneration, in order to support the company's cost-control and efficiency drive.

Currently, we are facing unprecedented challenges globally. COVID-19 has presented several hurdles, however, we are committed to the well-being of all our employees, as well as ensuring that we deliver on our promise to our shareholders.

In closing, I would like to thank the Board of Directors, the Management Team and Amlak's employees for their invaluable support and commitment to the organisation. They have been fundamental towards our achievements in 2019. I would also like to sincerely thank all our valued customers, our shareholders, and stakeholders for their continued trust and support.

Arif Abdulla Alharmi
Managing Director & CEO

Board of Directors

Mr. Ali Ibrahim Mohammad
Chairman

Mr. Essamuddin Galadari
Vice-Chairman

Mr. Farooq Mahmood Arjomand
Member of the Board

Mr. Khalid Al-Halyan
Member of the Board

Mr. Hesham Abdulla Al Qassim
Member of the Board

Major General Ahmad Hamdan Bin Dalmook
Member of the Board

Mr. Arif Abdulla Alharmi
Managing Director & CEO

Executive Management

Arif Abdulla Alharmi
CEO

Houssem Ben Haj Amor
Chief Financial Officer

Ali Al Shamali
Chief Operating Officer

Rawad Khoja
Senior Manager legal

Lama Takieddin
Company Secretary and Sharia

Rama Naidu
Head of Enterprise Risk Management

Majdi Abdelghani
Head of Internal Audit

Muhammad Sajid Latif
Head of Finance

Yasser Mohamed Assar
Head of Real Estate Projects & Property Appraisal, Acting Head of Real Estate Investments

Mohammed Al Mazam
Head of Collections

Aiman Gamee
Head of Corporate Communications & CSR

Alia Bin Aqeel
Head of Human Resources

Syed Hadi Rizvi
Head of Operations

Syed Kashif Hussain
Head Strategy and Organization Development, Acting Head of Real Estate Finance and Acting Head of Product & Marketing

Muna Kadhem Alshams
Head of Compliance & Control

What drives us forward

Vision

To be the specialized and customer centric real estate financing institution of the UAE.

Mission

To provide niche financial solutions, customized to fit our customers' needs while maximizing shareholders' value and nurturing our employees.

Our Corporate Values:

Customer Centricity

Customers' needs are at the heart of what we do. We strive for excellence in customer service by providing superior service to our customers in a timely, efficient, and consistent manner. Our goal is to transform customer satisfaction to customer loyalty and advocacy.

Value Creation

We strive to create value for our stakeholders, customers, investors, and the community at large. We aim to leverage our expertise and innovation to achieve sustainable growth for our company whilst serving the interests of our stakeholders.

Innovation

We drive and inspire innovation in the workplace, with the aim to build on our organizational capabilities, and expand our capacity for innovative & creative thinking, collaboration & readiness for action.

Integrity

Amlak is committed to maintaining a culture of integrity; we operate with honesty, fairness, and the highest of ethical standards. We take great pride in building a relationship of trust with our stakeholders.

Nurturing People

We value our employees and it is our commitment to continually enhance their welfare, training and career and personal development. We strive to improve our working environment and drive forward our desired corporate behaviors.

Social Responsibility

Participating in initiatives that support the workplace, marketplace, community and environment is an integral part of what we do. We are dedicated to contributing to society and helping make a positive difference in the community we serve.

Amlak Through the Years

2000

Incorporated as a private shareholding company in Dubai, UAE.

2004

- Converted into Sharia compliant public joint stock company.
- Listed on DFM.

2005

- Rights issue.
- Successfully launched Sukuk.

2006

- Launched “First Amlak Real Estate Fund”.
- Invested in Amlak International for Real Estate Finance Company KSA (Associate).

2007

- Invested in Amlak Finance & Real Estate Investment (S.A.E.)
- (100% subsidiary in Egypt) CCI Redemption of AED 100 Mn.

2008

- The financial turmoil hit the UAE.
- **Suspension of share trading on DFM.**

2009 — 2013

It was the stand still period for Amlak growth. However, management proactively adopted focused strategies covering

I. Continue serving financier.
II. Effective Portfolio management.
III. Robust liquidity management.
IV. Cost rationalization.
V. Negotiated significant reduction in liabilities & commitments.
VI. Protecting Shareholders’ value.

2014

- Implementation of the approved restructuring plan in November.
- Settled AED 2.8 Bn of liabilities in cash

2015

Resumption of share trading on DFM in June.

Redemption of AED 200 Mn of Contingent Convertible Instrument (CCI) within the first year after restructuring Advance Payment of AED 558 Mn to Financiers.

2016

Successful renegotiation of key restructuring terms led Amlak to meet its strategic intents.

- Long term sustainability and growth.
- Improved ability to attract new funding.
- Enhancement in shareholder value.
- Advance Payment of AED 274 Mn to Financiers.

2017

CCI Redemption of AED 100 Mn.

2018

Advance payment of AED 684 million to financiers

2019

- Amlak announces Renegotiation of Restructuring Terms with its Financiers
- Amlak announces completion of labour camp project

Strategy

Guided by its vision and mission, Amlak pursues a strategy of sustainable growth, customer centricity and operational excellence, underpinned by prudence, corporate governance and corporate responsibility.

Growth

As a specialized real estate finance provider in the region, sustainable growth has been placed at the root of Amlak's corporate strategy. The key focus will continue be on the real estate finance business comprising of both ready and under-construction properties for growth in core revenue streams. Amlak seeks to differentiate itself from the competition by offering innovative products and exceptional customer experience.

Amlak is also committed to create long term value from its real estate investment portfolio by considering development of land parcels in conjunction with suitable partners in an effort to better and faster fulfill its restructuring commitment to its financiers.

Funding

Optimum and sustainable long-term funding remains a critical focus for the organization. This will underpin Amlak's balance sheet and profitability growth strategy in years to come.

Amlak entered into negotiations with its financiers on the existing financing facilities while it continues to explore innovative financing structures with a view to achieve a sustainable capital structure.

Value Propositions

In 2020, differentiated products based on market needs will be the business driver. Innovative products, a full spectrum of real estate services and outstanding customer service will be the focus to set us apart in a very competitive landscape.

Organization Capabilities

Other main strategic priorities will include improving customer service delivery through technology, process reengineering to drive efficiency, targeted product development, robust risk management, progressive staff development and talent management as well as boosting corporate brand.

Corporate Governance

Amlak Finance upholds high standards of corporate governance based on the legislations of the Emirates Securities and Commodities Authority (SCA), Dubai Financial Market (DFM) and the UAE Central Bank (CB) regulations.

The Board ensures that strategic decision making is streamlined and centralized across the organization. This allows the Board of Directions to take an active and effective role in decision making, oversight and implementation of proper management structure, all with goal of achieving Amlak's long term objectives.

Amlak's Board Committees are the Zakat Committee, Audit Committee, Risk Committee, and Nomination and Remuneration Committee.

Executive Management Committees are Management Committee (MANCO), Assets and Liability Committee (ALCO), and Credit Committee.

Board of Director's Committees:

The Board is collectively responsible for the long term success of Amlak Finance and delivery of sustainable shareholder value.

Current Board membership includes:

- Mr. Ali Ibrahim Mohammad
  Chairman of the Board
- Mr. Essamuddin Galadari
  Vice-Chairman
- Mr. Khalid Salim Al-Halyan
- Mr. Farooq Mahmood Arjomand
  Member
- Mr. Hesham Abdualla Al Qassim
  Member
- Major General Ahmad Hamdan Bin Dalmook
  Member
- Mr. Arif Abdulla Alharmi Albastaki
  Managing Director

Its role is to provide leadership and direction to the organization within a framework of discretion and effective controls which enables risks to be identified, assessed and managed.

Amlak's Board Committees are:

- Zakat Committee
- Audit Committee
- Risk Committee
- Nomination and Remuneration Committee

Executive Management Committees:

The Executive Management provides effective oversight and leadership to implement short term and long term corporate strategies through a number of Executive Management Committees. These Committees, in addition to formulating and delivering Amlak's business strategies, also monitor and manage financial performance, capital allocation, risk management as well as operational and administrative matters.

Amlak's Exceptive Managements Committees are:

- Management Committee (MANCO)
- Assets & Liability Committee (ALCO)
- Credit Committee

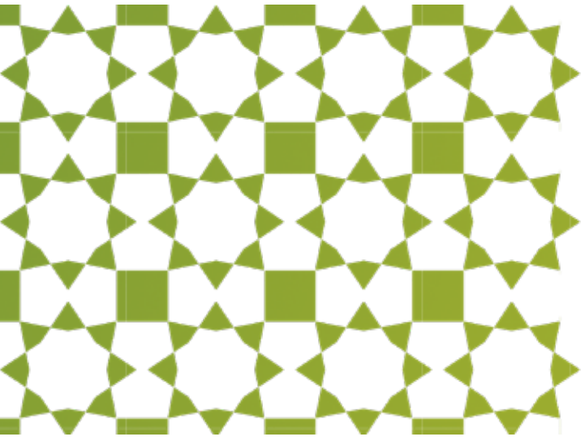
Risk Management

Enterprise Risk Management

Risk Management continues to be a top priority of Amlak Finance. Risk is an integral part of our business and decision-making process. Our performance depends on our ability to manage risk at every level. Amlak is committed to achieving an optimum balance between risk and return to minimize potential adverse impacts on the Company's financial performance.

Aligned with this objective, the Board of Directors established the Board Risk Committee (BRC).The BRC's main responsibility is to oversee the organization's enterprise risk management. It is governed by a Charter that sets the roles and responsibilities of the Committee, its authority, composition and relationship with different stakeholders.

Furthermore, Amlak has established subcommittees, working groups comprising of stakeholders form business units and support functions to discuss financial and non-financial risks.



Risk Management Philosophy / Strategy

Amlak has a strong risk culture, anchored to our strategy, and all staff are responsible for highlighting and managing potential risks in the course of their work. We reinforce individual accountability through a focus on the Three Lines of Defence model. In this model, as depicted here, management control is the first line of Defence in risk management, our Enterprise Risk Management (ERM) and compliance oversight functions are the second line of Defence, while independent assurance internal audit team is the third.

1st Line of Defense
Business Line management responsible for identification and control of risk.

2nd Line of Defense
Control functions - Enterprise Risk Management and Compliance.

3rd Line of Defense
To provide independent assurance.

Risk Appetite

As part of our continued efforts to improve the enterprise risk management, Amlak manages its risks by seeking to ensure that its exposures in each business segment remain within acceptable risk tolerance levels. The risk tolerances are translated into risk limits for operational purposes. The risk appetite is collectively managed throughout the organization through adherence to its risk management policies and procedures. Risk Limits are periodically reviewed to ensure that they remain within the risk appetite of the Group.

Risk Management Approach:

Amlak addresses the challenges of risks through enterprise wide risk management framework, key features of the framework are as follows:

- The Board of Directors provide overall risk management direction and oversight.
- Company's risk appetite is approved by the Board of Directors
- Risk Management is embedded as intrinsic process and is a core competence of all employees.
- Company manages its Credit, Market, Operational and Liquidity risks in a coordinated manner within the organization.
- Enterprise Risk management Department is independent of the business units.

Amlak's Risk Management Framework

Risk Mitigation
Identifying existing and new mitigation factors to effectively manage risks.

Risk Response Strategies
Once a risk has been assessed, and appropriate risk response strategy needs to be put in place in order to manage the risk.

Risk Identification
Process to identify and document risks that may prevent achieving objectives.

Risk Assessment
Overall process of risk measurement and risk evaluation.

Risk Reporting
Reporting the status of risks and mitigation factors to the Management.

Amlak continuously modifies and enhances its risk management policies and systems to reflect changes in the market, products, and international best practices.

Training, individual responsibility and accountability together with disciplined and cautious culture of control is an integral part of Risk management.

Amlak's risk management structures and processes are continually reviewed and ensure their adequacy and appropriateness for the Company's risk and opportunities profile as well as bringing them up to date with changes in strategy, business environment, evolving thoughts and tends in Risk Management.

Products & Services

For nineteen years, Amlak Finance has been the real estate specialist providing Shari'a compliant property financing solutions, designed to meet the rapidly evolving market landscape and demands.

Through its innovative & customized products and services, Amlak makes the dream of owning a property in the UAE become a reality for UAE residents, and contributes positively to the growth of Dubai's real estate sector.

Our current suite of products & services are as follows:

Istithmari

Istithmari is the first-of-its-kind Buy-To-Let property finance (Ijarah) product in the region, designed for investors looking to invest in completed residential and commercial properties. In addition to providing personalized and professional relationship management, customers are provided with a full suite of Property Management Services.

Ijarah

Ijarah is the standard home finance product aimed towards end users of ready residential and commercial properties. Under Ijarah, Amlak buys the property from the developer/seller and leases it out to the customer with a promise to sell at the end of the lease term. The customer pays monthly rentals that comprise of fixed, variable and supplementary rentals.

Double Your Property

This product has been designed for UAE resident investors who have own a property in UAE to avail an opportunity to double their property portfolio. The product offers eligible investors to unlock their equity and increase their real estate returns through attractive financing terms from Amlak. Amlak will facilitate the second investment process from offering its real estate portfolio to financing the transaction. In addition, investors can also avail professional property management services.

Tatweer

Tatweer is a product aimed at financing under-construction properties for investors as well as for end users. Finance is supplemented with a full suite of property management services that come into effect post completion and handover of the property.

Private Construction Finance

Private Construction Finance is offered to individuals or corporates that undertake construction of commercial or residential projects. Amlak is one of the handful financiers offering this product to a target market comprising UAE nationals as well as Expatriates for the purposes of renting in future or occupying. Amlak also prides in having substantial experience in managing construction financing transactions via trusted third party contractors and consultants as well as personalized relationship management of its clients.

Corporate Social Responsibility (CSR)

- Recipient of the Dubai Chamber of Commerce & Industry's prestigious CSR Label from 2015 - 2019
- All initiatives dedicated to the Year of Tolerance
- Achieved a higher score than the industry average for CSR in 2018 and 2019

Workplace

Amlak Finance is proud to be recognized for its social responsibility. In 2019, Amlak continued to invest in its most valuable asset: its people. We drove efforts to provide opportunities for our employees to flourish professionally and personally, with a focus on encouraging mental and physical well-being and work-life balance. Several well-being and engagement initiatives were held throughout the year, which included yoga, cricket, football, weight management programs and the first edition of Amlak's Sports Fest.

Environment

Recognizing the need for corporates to do more for climate change, we doubled our efforts in environment initiatives. We had eight weeks of being plastic free in the work place, which resulted in the reduction of our waste output by 8,500 items. Our participation in Shred-it's shredding and recycling program saved 42 trees from destruction in the past year. In another program, we supplied 340 kilograms of paper to the Emirates Environmental Group to be recycled. Additionally, as a Sustainability Programme Partner of Emirates Nature, Amlak's contributions will assist in addressing the UAE's most pressing issues around climate change and energy, marine and terrestrial conservation, and wildlife trade. Our contributions' objectives are to support the conservation work that aims to protect the UAE's natural heritage.

Marketplace

As part of our 'CSR Dialogue with Amlak', we provide an open channel to discuss CSR and sustainability activities with partners, suppliers, members of the public and other business entities. We have committed to respond to any message within 3 business hours and as a result have had dialogues with seven different external stakeholders, and assisted an industry partner in enhancing their own CSR strategy and activities. Moreover, we invite some of our business stakeholders to participate in our CSR activities, so together, we can make a greater contribution to our community. Our objectives are stakeholder engagement, positive marketplace relations through mutual support and collaboration for the benefit of the community we serve in.

2019 DUBAI CHAMBER CSR LABEL

Emirates Nature | WWF ESTEEMED SUSTAINABILITY PROGRAMME PARTNER

Community

Amlak Finance has a strong commitment to the community. We are dedicated to support the economic, educational, and psychological needs of local community groups which may include special needs, underprivileged and/or persons that are incapable of employment (such as elderly), and groups which require positive social engagement and uplifting (such as elderly, and low-income groups). In 2019, a total of 11 community initiatives were completed, including multiple initiatives to support Al Noor Training Centre for Children with Special Needs, Rashid Centre for the Disabled, and collaborating with Dubai Health Authority on 2 blood donation drives which generated 64 units of blood.

Through all our CSR initiatives at Amlak Finance, we aspire to make a difference, build a strong connection with our society and embrace long-term engagement with our local community partners.

CSR Highlights

- **22** Wellness Initiatives
- More than **47** trainings
- **8,500** items reduction in waste output
- Total **51** CSR Initiatives
- Support for Children of Determination
- **11** Community Initiatives and collaborations
- **41.8** Trees saved from destruction in past year
- Partnership with Emirates Wildlife Society
- **340kg** paper recycling initiative
- **2** Blood Donation Drives
- CSR Dialogue with **7** marketplace Stakeholders
- Women make up **41%** of total workforce and 56% of Sustainability Team
- Valuing and celebrating diversity
- Rewarding Innovation

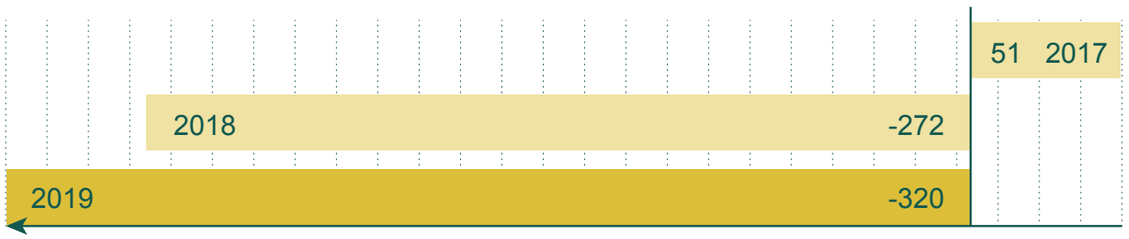
Awards

- **CSR Label 2019**
  By the Dubai Chamber of Commerce & Industry
- **Best Islamic Finance CSR Company UAE 2019**
  by Global Banking & Finance Review
- **Best Sharia Compliant Company UAE 2019**
  by Global Banking & Finance Review

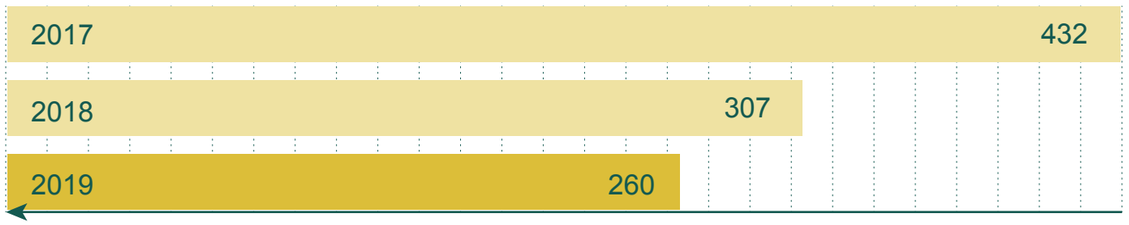
Financial Trends

I. Group Income Statement

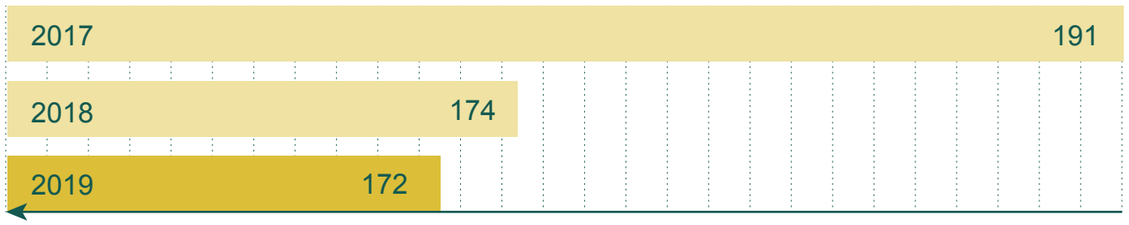
1. Profit / Loss for the year



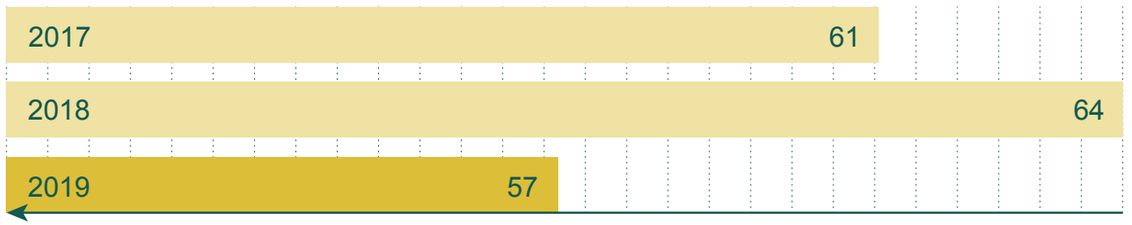
2. Total Income



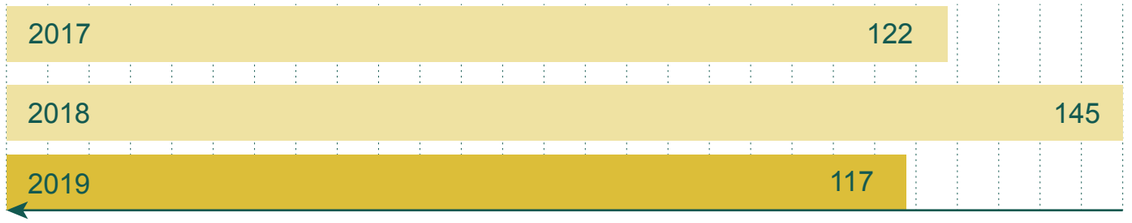
3. Income from Financing and Investing Assets



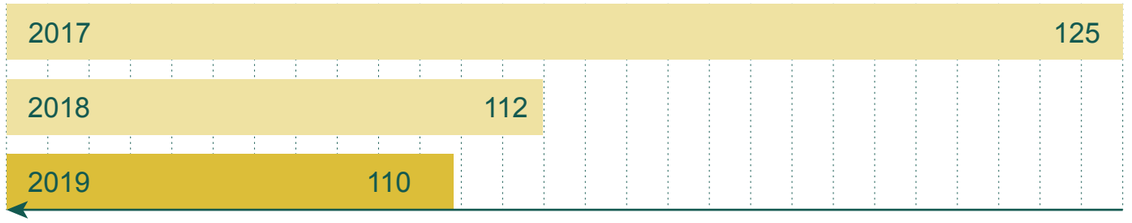
4. Rental Income



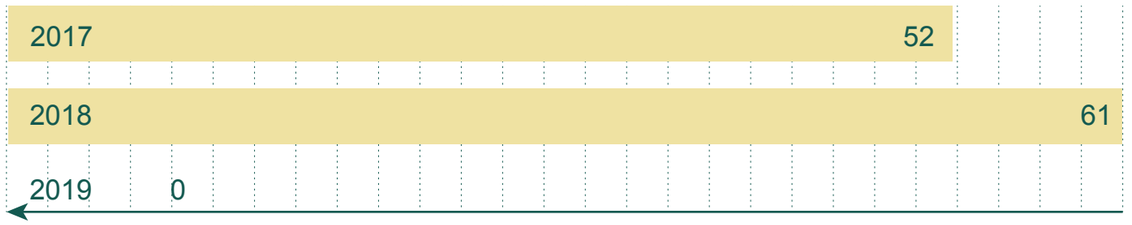
5. Operating Expenses



6. Distribution to Financiers/ Investors

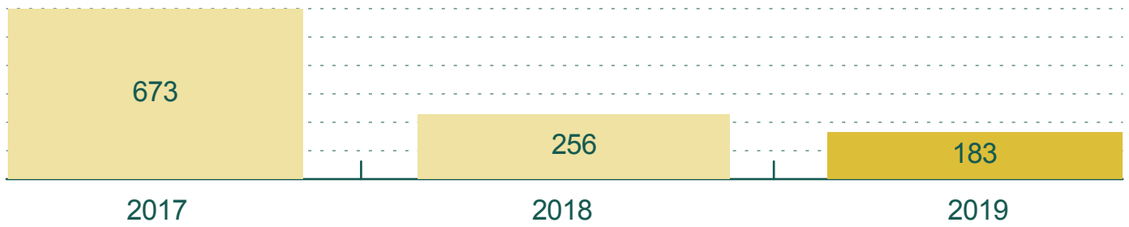


7. Net Gain on Sale of Properties Under Development

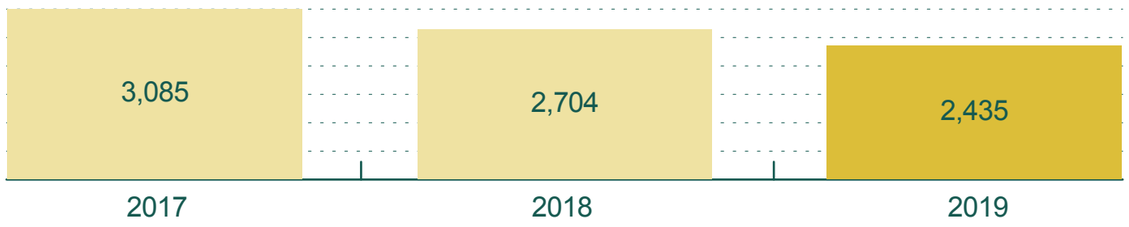


II. Group Balance Sheet

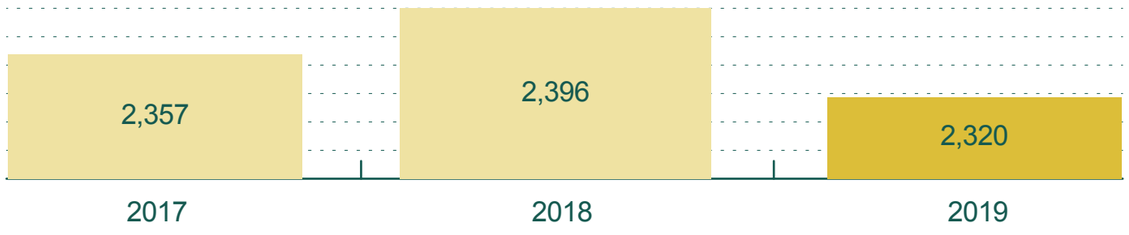
1. Cash and Balances with Banks



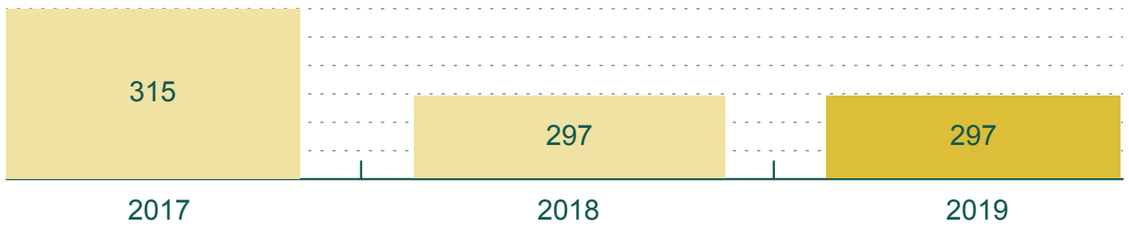
2. Islamic Financing and Investing Assets



3. Real Estate Investments

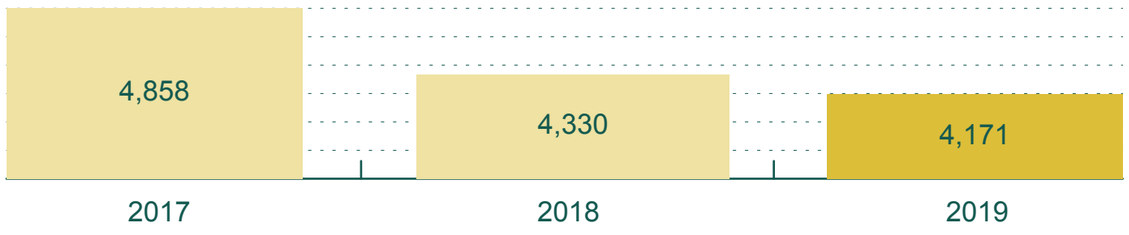


4. Corporate Investments



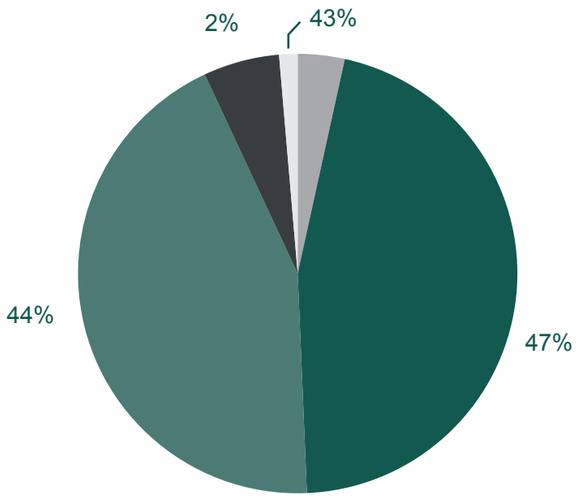
5. Total Assets

6. Investment Deposits and Other Islamic Financing



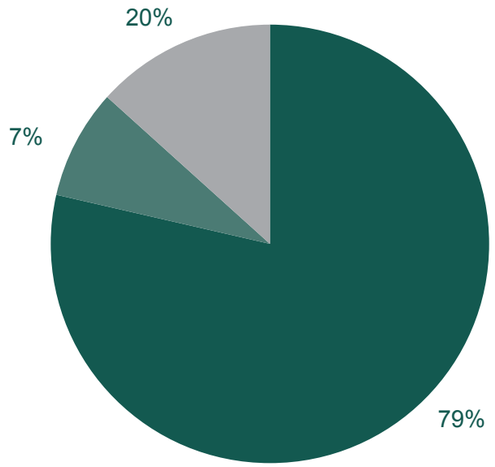
Group Balance Sheet (continued)

Assets Mix — 2019



- Cash and balances with banks
- Islamic financing and investing assets
- Real Estate investments
- Corporate Investments

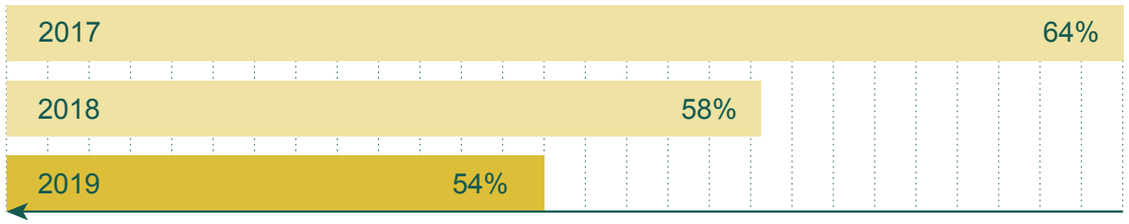
Liability and Equity Mix — 2019



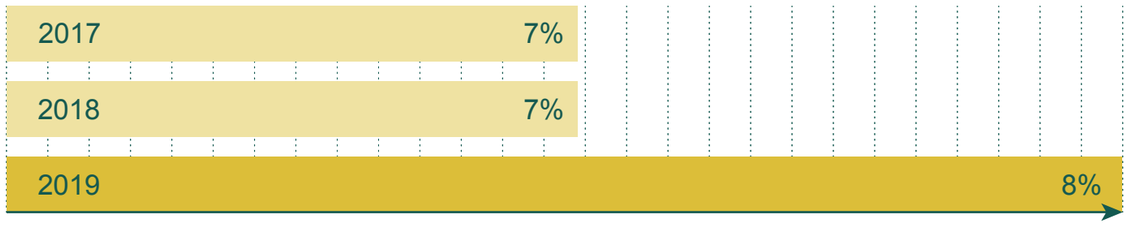
- Investment deposits and other Islamic financing
- Other liabilities (inc non-controlling interstate)
- Equity

III. Financial Ratios

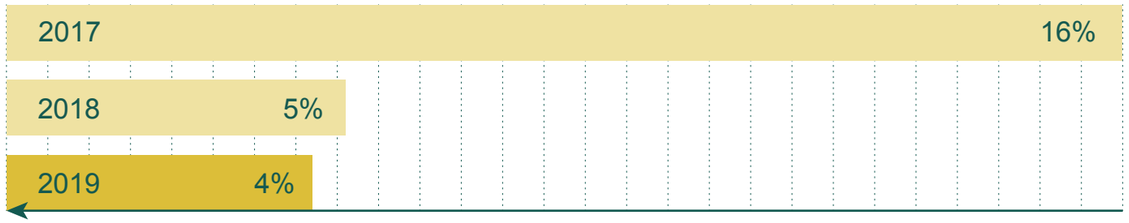
1. Net Financing to Deposit Ratio



2. Non-performing Financing Assets to Total Asset Ratio Net Profit Margin

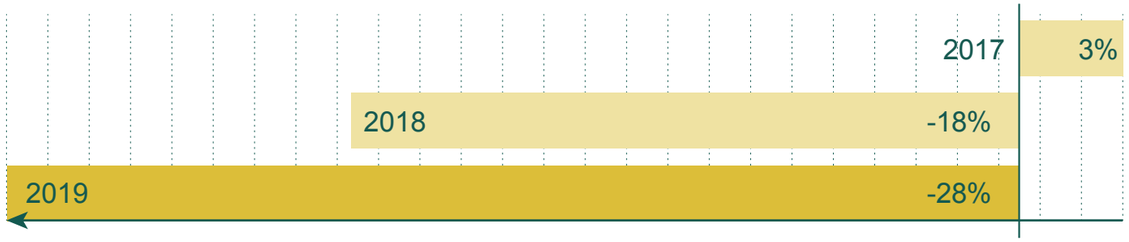


3. Liquid Assets to Total Assets Ratio

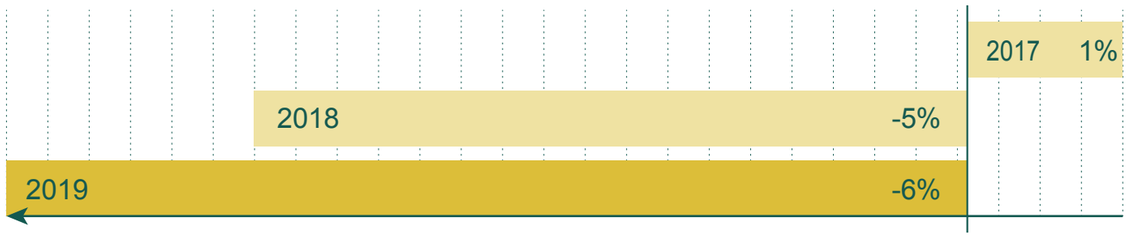


Financial Ratios (continued)

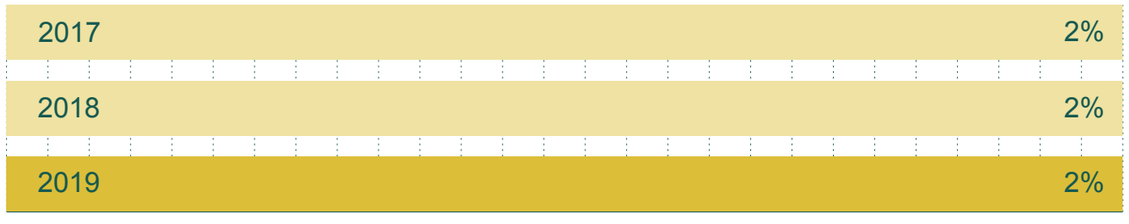
4. Return on Equity (ROE)



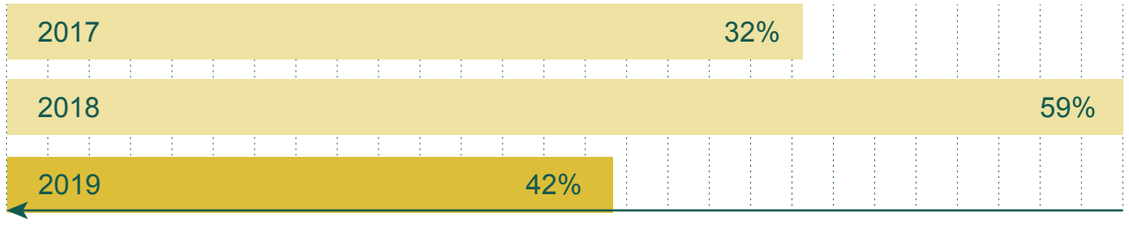
5. Return on Average Assets (ROA)



6. Net Profit Margin



7. Cost to Income Ratio



Praise be to God, prayer and peace be upon the Messenger of Allah

Amlak Finance's Internal Sharia Supervisory Committee's Report Presented to The General Assembly for the year 2019

Introduction:
Based on the appointment letter issued by Amlak Finance PJSC ("The Company") for the members of the Internal Sharia Supervisory Committee ("the Committee"), to supervise the activities and transactions of the Company during the financial year, we hereby present the following report to you:

Committee's Scope of Work:
The Committee has supervised the Company's activities & transactions during the year and carried out its role in directing the Company to comply with principles of Sharia and the Committee's Fatwas in these activities and transactions of the Company.

The Committee has studied the transactions presented thereto during the year, and approved its structures, contracts and documents and answered the enquiries posed in this regards, and issued the suitable pronouncements and Fatwas.

The Committee reviewed the Memorandum and Article of Association and found them in line with the Sharia provision.

Fatwas and decisions:
The Committee replied to the questions and queries it received from various departments of the Company and issued appropriate Fatawas and decisions in relation thereto.

Training:
The Company held Sharia training courses for its employees for the products offered by the Company.

Sharia Standards:
The Committee has relied on Sharia Standards issued by the Auditing Organization for Islamic Financial Institutions (AAOIFI) as a minimum for meeting Sharia compliance requirements and adhered to rules of AAOIFI Sharia Standards in interpretation, issuing Fatwa and providing approvals. .

Supervision and Sharia Auditing:
The Committee reviewed the Sharia supervision and audit reports pertaining to the Company's transactions carried out during the year and provided its guidance and observation to the management regarding the relevant report.

Review of books and records:
The Committee reviewed all the relevant records and documents of the Company that it wanted to inspect and obtained the relevant data and information needed to conduct its Sharia audit and supervision role.

Committee Independency
The Committee resolved that it is independent in carrying out its duties without any interference from the management of the Company.

Financial Statements:
The Committee reviewed the financials of the Company, relevant statements and supplementary notes. The accuracy and reliability of data and information used therein is the responsibility of the Management.

The Committee also reviewed profit distribution, profits and losses account and has found that the financial statements are in compliance with Fatawa of the Committee.

Zakat on Shares:
The Committee, pursuant to Company's Articles of Association, reviewed the calculation of the Zakat payable on Shareholders' funds by the Management on behalf of the Shareholders in accordance with Sharia principles. As for the other assets which are subject to Zakat, the Committee has calculated the Zakat amount payable per share to notify the Shareholders about Zakat payment.

Committee's opinion:
The Committee, while reiterating that it is the responsibility of the management to ensure compliance with Sharia principles and Fatwas of the Committee in all activities carried out by the Company, confirms that the Company's activities and transactions carried out throughout the year are generally not in breach of Sharia principles and the Fatwas of the Committee in relation to the cases referred to it, and to the extent of the information the Committee has obtained, the audit it has performed and the observations it has raised, and the responses the Company's management has expressed for compliance with the Committee's observations.

Amlak Internal Sharia Supervisory Committee

Dr. Mohamad Abdel Hakim Zoeir
Chairman of the Committee

Shaikh Moosa Tariq Khoory
Member

Dr. Azzeddine Benzeghiba
Member

Report of Directors

REPORT OF THE DIRECTORS

The Directors present their report and consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

Amlak Finance PJSC is primarily engaged in Islamic financing and investing activities based on structures such as Ijara, Murabaha, Mudaraba, Wakala and Musharaka. These activities are conducted in accordance with Islamic Sharia'a which prohibits usury, and within the provisions of its Articles and Memorandum of Association.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the attached consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the periodic report.

Signed on behalf of the Board of Directors

10th March, 2020
Dubai, United Arab Emirates

Report of Directors Amlak Finance PJSC & its Subsidiaries Consolidated Financial Statements

Independent Auditor's Report to The Shareholders of Amlak Finance PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Amlak Finance PJSC (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 12 March 2019.

Material uncertainty related to going concern

We draw attention to Note 2.1 of the consolidated financial statements, which indicates that due to uncertainty in the forecast of future cash flows, the Group has issued notification to all its commercial financiers to defer monthly principal instalments from January 2019 and initiate negotiations to restructure the Common Term Agreement (CTA) signed in 2014 and amended in 2016. The terms of this agreement state that, in the event of default, the super majority of Tranche B financiers, at their discretion, may serve notice to the Group to immediately settle the outstanding liability. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1 indicate that a material uncertainty exists that may cast a significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

Key audit matter	How the matter was addressed in our audit
Impairment of Islamic financing and investing assets	
As at 31 December 2019, the Group's gross Islamic financing and investing assets amounted to AED 2.9 billion and the related impairment allowances amounted to AED 491 million, comprising AED 171 million against Stage 1 and 2 exposures and AED 320 million against exposures classified under Stage 3. The audit of the impairment of Islamic financing and investing assets is a key area of focus because of its size (representing 46% of total assets) and due to the significance of the estimates and judgments used in classifying Islamic financing and investing assets into various stages, determining related allowance requirements, and the complexity of the judgements, assumptions and estimates used in the Expected Credit Loss models. Refer to Note 3 to the consolidated financial statements for the accounting policy, Note 2.5 for critical judgements and estimation used by management and Note 31 for the credit risk disclosure. The Group recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2). 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. 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 effective profit rate. The Group employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD); and exposure at default (EAD),which are defined in Note 3 to the consolidated financial statements.	We obtained a detailed understanding of the Group's Islamic financing and investing assets business processes and the accounting policies of IFRS 9 Financial Instruments including the critical accounting estimates and judgments used. We have involved our subject matter experts to assist us in auditing the IFRS 9 ECL models as at 31 December 2019. We tested the design, implementation and operating effectiveness of the relevant controls which included testing: ■ System-based and manual controls over the timely recognition of impaired Islamic financing and investing assets and advances; ■ Controls over the ECL calculation models; ■ Controls over collateral valuation estimates; and ■ Controls over governance and approval process related to impairment provisions and ECL Models including continuous reassessment by the management. We understood and evaluated the theoretical soundness of the ECL model by involving our internal experts to ensure its compliance with the minimum requirements of the standard. We tested the mathematical integrity of the ECL model by performing recalculations. We assessed the consistency of various inputs and assumptions used by the Group's management to determine impairment.

Independent Auditor's Report to The Shareholders of Amlak Finance PJSC (continued)

Key audit matter	How the matter was addressed in our audit
Impairment of Islamic financing and investing assets (continued)	
The measurement of ECL amounts for exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period. Exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Group in accordance with the original contractual terms. Impaired Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows including observable market price or fair value of the collateral. The impairment loss is calculated based on the shortfall in the Islamic financing and investing assets carrying value compared to the net present value of future cash flows using original effective profit rate. The factors considered when determining impairment losses on individually assessed accounts include the customer's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and the costs involved to recover the debts.	For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group's methodology, assessed the underlying assumptions and the sufficiency of the data used by the management. We assessed the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. For samples of exposures, we evaluated the appropriateness of the Group's staging. For forward looking assumptions used by the Group's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information. We selected samples of Islamic financing and investing assets and checked the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used by the management in their ECL calculations. For exposures determined to be individually impaired, we tested samples of Islamic financing and investing assets and examined and assessed management's estimate of future cash flows, and reperformed the resultant allowance calculations. Further, we challenged the estimates and assumptions used by management around the LGD calculation for individually impaired exposures by testing the enforceability and adequacy of valuation of underlying collaterals and estimated recovery on default. In addition to the above, for Forward Ijarah customers: we reviewed project progress reports for the under construction portfolio provided by management's real estate team and validated the management position on each project's status on a sample basis against the latest report from the Dubai Land Department. we reviewed the allowance against on-hold and active projects in the Forward Ijarah portfolio based on the following main criteria established by management based on their experience and market knowledge: ■ Percentage of completion; ■ Developer history; and ■ Project negative equity. We assessed the disclosure in the consolidated financial statements relating to this area against the requirements of IFRSs.

Fair valuation of investment properties	
Investment properties comprise 44% (2018: 34%) of the total assets of the Group. Investment properties are carried at AED 2,400 million (2018: AED 1,989 million) in the consolidated statement of financial position. The Group's investment properties are measured under the fair value model, with changes in fair value presented in the consolidated statement of profit or loss. Management determines the fair values of the investment properties on a quarterly basis and has used external third party specialists in accordance with the RICS Valuation - Professional Standards and the requirements of IFRS 13 Fair Value Measurement and take into account, where available, discounted cash flows and evidence of market transactions for properties and locations comparable to those of the Group's properties. The Group's portfolio comprises retail, offices and residential property. The valuation of an investment property at fair value is highly dependent on estimates and assumptions, such as realisable sales values, rental value, occupancy rate, discount rate, maintenance status, financial stability of tenants, market knowledge and historical transactions. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we assessed this as a key audit matter.	We obtained an understanding of the Group's investment properties and the relevant controls over inputs and assumptions used by the Group in the valuation of the investment properties. In addition, our work performed included the below procedures, amongst others on the Group's valuations: We assessed the design and implementation and tested the operating effectiveness of the key controls over the estimation of the fair value of the investment properties; We assessed the valuer's skills, competence, objectivity and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes; We agreed the total valuation in the valuer's report to the amount reported in the consolidated statement of financial position; We tested, on a sample basis, the accuracy of the standing data provided by the Group to the Valuers;

Independent Auditor's Report to The Shareholders of Amlak Finance PJSC (continued)

Key audit matter	How the matter was addressed in our audit
Fair valuation of investment properties	
Refer to the following notes in the financial statements for further detail: ■ Note 3 – Significant accounting policies on investment properties; ■ Note 3 – Critical accounting judgement and key sources of estimation uncertainty of valuation of investment properties; and ■ Note 12 – Investment properties.	We utilised our internal real estate valuation specialists to review selected properties valued by the external valuers and internally by management and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement. Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made. We reperformed the arithmetical accuracy of the valuations on a sample basis. We assessed the disclosures in the consolidated financial statements against the requirements of IFRSs.
Investment deposit and other Islamic Financing	
As at 31 December 2019, the Group's investment deposit and other Islamic Financing amounted to AED 4 billion, which represents approximately 90% (2018: 88%) of the carrying value of total liabilities of the Group. The Investment deposits and other Islamic Financing are subject to compliance with certain key performance indicators and covenants stipulated in the Common Terms Agreement which requires the Group to generate cash flows from operations to service the fixed obligation and related profits to the depositors. The nature of the Group's investment deposits significantly changed due to a restructuring which resulted in a fixed obligation to be paid to the Other Commercial Financiers and Liquidity Support Providers over a 12 year period ending in 2026. We consider this to be a key audit matter due to material uncertainty related to going concern of the Group. Refer to the following notes of the financial statements for further information: ■ Note 17 - Investment deposits and other Islamic financing; and ■ Note 2.1 - Assessment of going concern assumption.	Following procedures were performed ■ We confirmed the amounts outstanding as at 31 December 2019 with the investment depositors. ■ We reviewed and recalculated the accretion of the fair value adjustment on the investment deposits and other Islamic Financing. ■ We reviewed the payments and cash sweeps made during the year ended 31 December 2019 and assessed these against the Common Terms Agreement requirements. ■ We assessed management's action plan in relation to non-compliance with the key performance indicators contained within the Common Terms Agreement. ■ We reviewed management correspondence with depositors related to obtaining approval for the non-compliance with the covenants of the Common Terms Agreement. ■ We evaluated management's future cash flows forecasts, and the process by which they are prepared, and reviewed the underlying assumptions used. We also assessed the design and implementation of controls over these cash flow forecasts. ■ We read the board minutes and discussed with those charged with governance for an update on the Common Terms Agreement and any impact on the Group. ■ We reviewed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other information

The Board of Directors and management are responsible for the other information. The other information comprises the Board of Directors' report. We obtained the Board of Directors' report prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors and Board Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists,

Independent Auditor's Report to The Shareholders of Amlak Finance PJSC (continued)

we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Group's books of account;
- note 10 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2019;
- note 29 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;
- As at 31 December 2019, the accumulated losses of the Company exceeded 50% of its share capital. Article 302 of the UAE Federal Law No. (2) of 2015 requires that, under such circumstances, the Board of Directors of the Group should convene a General Assembly to take a special Decision to resolve the Group or to continue in the activity of the Group. This meeting will be held in April 2020;
- Based on the information that has been made available to us, except for the effect of the matter described above, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019; and
- note 34 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2019.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)
Akbar Ahmad
Registration No. 1141
11 March 2020
Dubai
United Arab Emirates

Consolidated Financial Statements

Consolidated Statement of Income

For the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000
Income from Islamic financing and investing assets	4	**166,904**	166,783
Fee income		**4,654**	6,858
Income on deposits		**5,570**	7,508
Fair value loss on investment properties	12	**(18,241)**	(34,785)
Rental income	12	**57,498**	64,447
Loss on sale of investment properties		**(17,894)**	-
Sale of properties under development	13	**-**	60,747
Other income		**44,885**	14,415
		243,376	285,973
Impairment on:			
Islamic financing and investing assets	2.6	**(102,506)**	(40,187)
Other assets	15.1	**(8,274)**	(18,958)
Advances for investment properties	11	**(146,000)**	(146,781)
Amortisation of initial fair value gain on investment deposits	17	**(96,362)**	(110,082)
Operating expenses	5	**(117,445)**	(146,208)
Cost of sale of properties under development	13	-	(5,304)
Share of results of an associate	14	**16,958**	21,275
		2019	2018
LOSS BEFORE DISTRIBUTION TO FINANCIERS / INVESTORS		**(210,253)**	(160,272)
Distribution to financiers / investors	6	**(109,529)**	(112,152)
LOSS FOR THE YEAR		**(319,782)**	(272,424)
Attributable to:			
Equity holders of the parent		**(321,481)**	(266,257)
Non-controlling interests	27	**1,699**	(6,167)
		(319,782)	(272,424)
Loss per share attributable to equity holders of the parent			
Basic loss per share (AED)	7	**(0.22)**	(0.18)
Diluted loss per share (AED)	7	**(0.22)**	(0.18)
Loss for the year		**(319,782)**	(272,424)
Other comprehensive income			
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**23,172**	(676)
Items that will not be reclassified subsequently to profit or loss:			
Losses on remeasuring and disposal of investment securities		**-**	(745)
Change in fair value of investment securities of an associate		-	(204)
Other comprehensive income/(loss) for the year		**23,172**	(1,625)
Total comprehensive loss for the year		**(296,610)**	(274,049)
Attributable to:			
Equity holders of the parent		**(298,309)**	(267,882)
Non-controlling interests		**1,699**	(6,167)
		(296,610)	(274,049)

The attached notes 1 to 34 form part of these consolidated financial statements.

The attached notes 1 to 34 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 AED'000	(Restated) 31 December 2018 AED'000	(Restated) 1 January 2018 AED'000
ASSETS				
Cash and balances with banks	8	**183,115**	255,987	673,015
Islamic financing and investing assets	9	**2,434,858**	2,703,850	3,089,299
Investment securities	10	**7,769**	7,714	12,387
Advances for investment properties	11	**-**	176,037	322,818
Investment properties	12	**2,319,794**	1,989,071	1,821,064
Properties under development	13	-	230,845	212,849
Investment in an associate	14	**288,946**	289,005	292,842
Other assets	15	**61,962**	67,317	132,489
Furniture, fixtures and office equipment	16	**10,848**	17,214	17,072
TOTAL ASSETS		**5,307,292**	5,737,040	6,573,835
LIABILITIES AND EQUITY				
Liabilities				
Investment deposits and other Islamic financing	17	**4,056,115**	4,218,025	4,792,037
Term Islamic financing	18	**115,062**	111,685	66,136
Employees' end of service benefits	19	**4,108**	4,398	6,551
Other liabilities	20	**323,290**	292,049	297,926
Total liabilities		**4,498,575**	4,626,157	5,162,650
Equity				
Equity attributable to equity holders of the parent				
Share capital	21	**1,500,000**	1,500,000	1,500,000
Treasury shares	22	**(88,848)**	(93,048)	(93,048)
Statutory reserve	23	**122,650**	122,650	122,650
General reserve	24	**122,650**	122,650	122,650
Special reserve	25	**99,265**	99,265	99,265
Mudaraba Instrument	26	**215,472**	215,472	215,472
Mudaraba Instrument reserve	26	**810,088**	810,088	810,088
General impairment reserve	2.6	**4,316**	4,316	4,316
Cumulative changes in fair value		**1,459**	1,459	698
Foreign currency translation reserve		**(301,099)**	(324,271)	(323,595)
Accumulated losses		**(1,778,975)**	(1,454,033)	(1,175,232)
		706,978	1,004,548	1,283,264
Non-controlling interests	27	**101,739**	106,335	127,921
Total equity		**808,717**	1,110,883	1,411,185
TOTAL LIABILITIES AND EQUITY		**5,307,292**	5,737,040	6,573,835

Approved by the Board of Directors on 11 March 2020 and signed on its behalf by:

Chairman

Managing Director & Chief Executive Officer

The attached notes 1 to 34 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000
OPERATING ACTIVITIES			
Loss for the year		**(319,782)**	(272,424)
Adjustments for:			
Depreciation	16	**6,602**	5,748
Share of results of an associate	14	**(16,958)**	(21,275)
Impairment on:			
Islamic financing and investing assets	2.6	**102,506**	40,187
Other assets	15.4	**8,274**	18,958
Advances for investment properties	11	**146,000**	146,781
Fair value loss on investment properties	12	**18,241**	34,785
Amortisation of fair value adjustment on investment deposits	17	**96,362**	110,082
Distribution to financiers / investors	6	**109,529**	112,152
Income on deposits		**(5,570)**	(7,508)
Loss/(gain) on sale of investment properties		**17,894**	(1,887)
Gain on settlement of advance for investment properties		**(21,274)**	**-**
Provision for employees' end of service benefits	19	**1,163**	766
Operating profit before changes in operating assets and liabilities:		**142,987**	166,365
Islamic financing and investing assets		**141,486**	(189,609)
Other assets		**2,919**	42,663
Other liabilities		**20,048**	(5,876)
Cash from operations		**307,440**	13,543
Employees' end of service benefits paid	19	**(1,453)**	(2,919)
Net cash generated from operating activities		**305,987**	10,624
INVESTING ACTIVITIES			
Dividend from an associate	14	**16,557**	16,541
Proceeds from sale of investment securities		**-**	3,926
Sale of investment properties		**75,634**	4,988
Movement in restricted cash flow	8	**43,897**	71,552
Addition to investment properties	11	**(192,271)**	(70,332)
Settlement of advance to properties		**12,752**	**-**
Addition to properties under development		-	(17,996)
Proceeds from Wakala deposits		**2,540,000**	2,280,000
Placement of Wakala deposits		**(2,515,000)**	(1,880,000)
Purchase of furniture, fixtures and office equipment	16	**(177)**	(3,865)
Income on deposits		**5,570**	7,508
Net cash (used) / generated from investing activities		**(13,038)**	412,322
FINANCING ACTIVITIES			
Receipt of Term Islamic financing		**52,830**	57,984
Repayment of Term Islamic financing		**(28,808)**	(12,300)
Investment deposits and other Islamic financing		**(356,605)**	(796,246)
Payment to non-controlling interests		**(6,295)**	(15,419)
Directors' fees paid		**(1,159)**	(2,250)
Net cash used in financing activities		**(340,037)**	(768,231)
DECREASE IN CASH AND CASH EQUIVALENTS		**(47,088)**	(345,285)
Foreign currency translation reserve		**18,113**	(191)
Cash and cash equivalents at the beginning of the year		**87,086**	432,562
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**58,111**	87,086

Consolidated Statement in Changes of Equity

For the year ended 31 December 2019

	Attributable to the equity holders of the parent													
	Share Capital AED '000	Treasury Shares AED '000	Statutory Reserve AED '000	General Reserve AED '000	Special Reserve AED '000	Mudaraba Instrument AED '000	Mudaraba Instrument Reserve AED '000	General Impairment Reserve AED '000	Cumulative Changes in Fair Value AED '000	Foreign Currency Translation Reserve AED '000	Accumulated Losses AED '000	Total AED '000	Non controlling interest AED '000	Total Equity AED '000
Restated Balance														
at 31 December 2018	1,500,000	(93,048)	122,650	122,650	99,265	215,472	810,088	4,316	1,459	(324,271)	(1,454,033)	1,004,548	106,335	1,110,883
Loss for the year	-	-	-	-	-	-	-	-	-	-	(321,481)	(321,481)	1,699	(319,782)
Other comprehensive loss for the year*	-	-	-	-	-	-	-	-	-	-	23,172	23,172	-	23,172
Other comprehensive loss - share of an associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-	-	-	-	23,172	(321,481)	(298,309)	1,699	(296,610)
Funds paid to project owner **	-	-	-	-	-	-	-	-	-	-	-	-	(6,295)	(6,295)
Sale of treasury shares	-	4,200	-	-	-	-	-	-	-		-	4,200	-	4,200
Loss on sale of treasury shares	-	-	-	-	-	-	-	-	-	-	(2,302)	(2,302)	-	(2,302)
Director's fee paid (note 30)	-	-	-	-	-	-		-	-	-	(1,159)	(1,159)	-	(1,159)
At 31 December 2019	**1,500,000**	**(88,848)**	**122,650**	**122,650**	**99,265**	**215,472**	**810,088**	**4,316**	**1,459**	**(301,099)**	**(1,778,975)**	**706,978**	**101,739**	**808,717**

The attached notes 1 to 34 form part of these consolidated financial statements.

Consolidated Statement in Changes of Equity

For the year ended 31 December 2019

Attributable to the equity holders of the parent

	Attributable to the equity holders of the parent							*Attributable to the equity holders of the parent*							
	Share Capital AED '000	Treasury Shares AED '000	Statutory Reserve AED '000	General Reserve AED '000	Special Reserve AED '000	Mudaraba Instrument AED '000		Mudaraba Instrument Reserve AED '000	General Impairment Reserve AED '000	Cumulative Changes in Fair Value AED '000	Foreign Currency Translation Reserve AED '000	Accumulated Losses AED '000	Total AED '000	Non controlling interest AED '000	Total Equity AED '000
At 1 January 2018 (as previously reported)	1,500,000	(93,048)	122,650	122,650	99,265	215,472		810,088	-	698	(323,595)	(1,011,193)	1,442,987	127,921	1,570,908
Impact of adopting IFRS 9 (note 2.6) - on the Group	-	-	-	-	-	-		-	4,316	-	-	-	4,316	-	4,316
- on an associate												9,725)	(9,725)	-	(9,725
Prior year error (Note 20.2)												(154,314)	(154,314)	-	(154,314)
Restated balance at 1 January 2018	1,500,000	(93,048)	122,650	122,650	99,265	215,472		810,088	4,316	698	(323,595)	(1,175,232)	1,283,264	127,921	1,411,185
Loss for the year	-	-	-	-	-	-		-	-	-	-	(266,257)	(266,257)	(6,167)	(272,424)
Other comprehensive loss for the year	-	-	-	-	-	-		-	-	(745)	(676)*	-	(1,421)	-	(1,421)
Other comprehensive loss - share of an associate										(204)	-	-	(204)		(204)
Reclassification of fair value loss on disposal of investment security	-	-	-	-	-	-		-	-	1,710	-	(1,710)	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-		-	-	761	(676)	(267,967)	(267,882)	(6,167)	(274,049)
Funds paid to project owner **	-	-	-	-	-	-		-	-	-	-	-	-	(15,419)	(15,419)
Provision for zakat – associate (note 14)	-	-	-	-	-	-		-	-	-	-	(8,584)	(8,584)	-	(8,584)
Director's fee paid (note 30)	-	-	-	-	-	-		-	-	-	-	(2,250)	(2,250)	-	(2,250)
Restated balance at 31 December 2018	1,500,000	(93,048)	122,650	122,650	99,265	215,472		810,088	4,316	1,459	(324,271)	(1,454,033)	1,004,548	106,335	1,110,883

* This relates to foreign exchange differences on translation of the Group's subsidiaries in Egypt including AED 21 million foreign exchange gain (2018: AED 0.8 million foreign exchange loss) on investment properties (note 12).

** Funds paid to project owner represent capital redemption to non -controlling interests in the Sky Gardens project.

The attached notes 1 to 34 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2019

1. Activities

Amlak Finance PJSC (the 'Company') was incorporated in Dubai, United Arab Emirates, on 11 November 2000 as a private shareholding company in accordance with UAE Federal Law No (8) of 1984, as amended. At the constituent shareholders meeting held on 9 March 2004, a resolution was passed to convert the Company to a Public Joint Stock Company. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 28 June 2016, replacing the Federal Law No. 8 of 1984.

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in financing and investing activities based on structures such as Ijara, Murabaha, Mudaraba, Wakala and Musharaka. The activities of the Company are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association.

The registered address of the Company is P.O. Box 2441, Dubai, United Arab Emirates.

2. Accounting Policies

2.1. Assessment Of Going Concern Assumption

Due to uncertainty in the forecast of future cash flows, the Group has issued notifications to all its commercial financiers to defer the monthly principal instalments starting from 25 January 2019 and initiate negotiations to restructure the Common Term Agreement (CTA) signed in 2014 and amended in 2016. As per this CTA, the losses and payment deferral will lead to an event of default that, at the discretion of the super majority of 66.7% of the Tranche B Financiers will result in serving a notice to the Group and would require the whole unpaid and outstanding liability to be immediately payable.

Although these events indicate that there exists a material uncertainty that cast significant doubt on Group's ability to continue as a going concern, the management and the Board of Directors have developed and proposed new business plans to ensure the going concern of the Group and have prepared the consolidated financial statements on this basis.

During December 2016, the Group has successfully agreed a new business plan (NBP) with its Financiers whereby a number of restrictive covenants mentioned in the CTA were waived to allow for the Company's mortgage book to be maintained at higher levels without affecting the repayment period, amounts or profit payments to the Financiers. The restructuring and revised terms in 2016 allowed for the resumption of normal business activity that enabled successful repayment of 48% of the Group's total debt over a period of 4 years under a 12-year restructuring plan.

With the passage of time and given the changes in market dynamics and macro-economic factors, the NBP proved to be less viable and detrimental to the long-term prospects of the Group. Consequently, the Group management has approached its Commercial Financiers to renegotiate the funding conditions in order to allow more flexibility in adapting to current market conditions. The renegotiation process to date

2. Accounting Policies (continued)

has entailed a full review and consideration of the Group's assets, operational and structural liquidity position as well as Financiers' position, profit distribution and repayment plan, together with the Group's future financial commitment and obligations.

An overall proposed business plan ("Revised Business Plan") is developed by the Group and shared with Financers, Revised Business Plan is currently under review by the Financers, with the expectation that execution and signoff on agreement will be reached by end of March 2020. As a part of the renegotiation, the Group will seek all formal and necessary approvals as per CTA to formally execute this plan.

The management and the Board of Directors are confident that the new proposed business plan will enable the Group to generate positive operating cash flows and allow it to meet its financial obligations as and when they fall due. In addition, regardless of CTA renegotiation outcome and adoption of the new business plan, the Group has sufficient assets to settle its liabilities and meet its financial obligations in the foreseeable future and, at least, for the next 12 months period. Therefore, these consolidated financial statements have been prepared on a going concern basis.

2.2. Basis Of Preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investment securities, investment properties and advance for investment properties.

The consolidated financial statements have been presented in UAE Dirhams (AED) and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), the Shariah rules and principles as determined by the Fatwa and Sharia'a Supervisory Board of the Company and applicable requirements of United Arab Emirates laws.**Basis of consolidation**

The consolidated financial statements comprise the financial statements of Amlak Finance PJSC and its subsidiaries (the Group) as at 31 December 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

2. Accounting Policies (Continued)

2.2. Basis Of Preparation (Continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

The principal activities of the subsidiaries are the same as those of the parent company. The extent of the Group's shareholding in the subsidiaries is as follows:

			Percentage Shareholding	
Company	Basis for Consolidation	Country of incorporation	2018	2017
Amlak Finance Egypt Company (S.A.E.)	Subsidiary	Egypt	**100%**	100%
EFS Financial Services LLC	Subsidiary	UAE	**57.5%**	57.5%
Amlak Sky Gardens LLC (note 27.1)	Subsidiary	UAE	**100%**	100%
Amlak Holding Limited	Subsidiary	UAE	**100%**	100%
Warqa Heights LLC	Subsidiary	UAE	**100%**	100%
Amlak Capital LLC	Subsidiary	UAE	**100%**	100%
Amlak Property Investment LLC	Subsidiary	UAE	**100%**	100%
Amlak Limited	Subsidiary	UAE	**100%**	100%
Amlak Nasr City Real Estate Investment LLC	Subsidiary	Egypt	**100%**	100%

2. Accounting Policies (Continued)

2.3. Changes In Accounting Policies, Estimates And Judgements (Continued)

Issued and effective for accounting periods beginning on 1 January 2019

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2018, except the following accounting policies which are applicable from 1 January 2019:

IFRS 16 Leases

The Group has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

Lessee accounting

The Group initially measures the right-of-use asset at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease. Subsequently, the lease liability is adjusted for profit and lease payments, as well as the impact of lease modifications, amongst others.

The Group has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases. The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The Group has assessed that the impact of IFRS 16 is not material on retained earnings as at the reporting date and has presented right of use assets within 'Other assets' and lease liabilities within 'Other liabilities' in the consolidated statement of financial position.

Where the Group leases out its investment property, the Group has classified these as operating leases. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

2.4. Definitions

The following terms are used in the consolidated financial statements with the meaning specified:

Istisna'a

Istisna'a is a sale contract between two parties whereby one party (seller) undertakes to construct, for the other party (buyer), an asset or property according to certain pre-agreed specifications in consideration of a pre-determined price to be delivered during a pre-agreed period of time. The work undertaken is not restricted to be accomplished by the Seller alone, whole or part of the construction can be undertaken by third parties under the seller's control and responsibility. Under an Istisna'a contract the Group may act as the seller or the buyer, as the case may be.

Ijarah (Ijarah Muntahia Bittamleek)

A lease agreement whereby one party (lessor) leases an asset to the other party (lessee), after purchasing/acquiring the asset according to the other party's request against certain rental payments for specified lease term/periods. The duration of the lease, as well as the basis for rental payments, are set and agreed in advance. The lessor retains ownership of the asset throughout the lease term. Ijarah ends by transfer of ownership in the asset

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

2. Accounting Policies (Continued)

2.4. Definitions (continued)

to the lessee. Under an Ijarah contract the Group may act as a lessor or a lessee as the case may be.

Forward Ijarah (Ijara Mausoofa Fiz Zimma)

Forward Ijarah is an arrangement whereby the parties' (i.e. lessor and lessee) agree that the lessor shall on a specified future date provide certain described property on lease to the lessee upon its completion and delivery by the developer, from whom the lessor has purchased the property. The lease rental under Forward Ijara commences only upon the lessee having received possession of the property from the Group. Forward Ijarah ends by transfer of ownership in the asset to the lessee. Under a Forward Ijara Group may act as a lessor or a lessee, as the case may be.

Sharikatul Milk

Sharikatul Milk is a financing structure wherein a joint ownership of two or more entities / persons is created in a particular asset or property without common intention to engage in business with respect to such asset or property. The parties share income / revenues from such joint ownership when the Asset or Property is either leased or sold.

Murabaha

Murabaha is an agreement whereby one party sells (seller) an asset to the other party (purchaser) after purchasing the assets which the seller has purchased based on a promise received from the purchaser to buy the asset purchased according to specific terms and conditions. The selling price comprises the cost of the asset and an agreed profit. Under the Murabaha contract the Group may act either as a seller or a purchaser, as the case may be.

An agreement between two parties whereby one party as a fund provider (Rab Al Mal) would provide funds (Mudaraba Capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity against an agreed share in the profit. Mudaraba is an investment contract, however the Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba by the Mudarib. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

Sharia'a

Sharia'a is the body of Islamic law and is essentially derived from the Quran and the Sunna'h. The Group, being an Islamic Financial Institution, incorporates the Principles of Sharia'a in its activities, as interpreted by its Fatwa and Sharia'a Supervisory Board.

Wakala Investments

An agency agreement whereby the principal (Muwakkil) provides a certain sum of money (Wakala Capital) to an agent (Wakeel) to invest it in a Sharia'a compliant manner and in accordance with the feasibility study/investment plan submitted to the Muwakkil by the Wakeel. Wakeel for the services is entitled to a fixed fee (Wakala fee) and if the Wakeel achieves a return over and above the amount of expected profit (as stated in the feasibility study/investment plan) Muwakkil may grant such excess to the Wakeel as an incentive for its excellent performance.

However, the Wakeel is obliged to return the invested amount in case of its default, negligence or violation of any of the terms and conditions of the Wakala. The Group may either receive the funds from the investors as their investment agent (Wakeel) or provide the funds for management/investment as Muwakkil.

Mudaraba Instrument

An instrument issued in favour of a facility agent, acting for and on behalf of the financiers (as Agent) in respect of their share in the mortgage portfolio pursuant to which the Agent transferred rights, interests, benefits and entitlements in the mortgage portfolio to Amlak Shaheen Limited (as Issuer). The Company and the Issuer (as Rab Al Maal) entered into Mudaraba whereby the mortgage portfolio as Mudaraba Capital will be invested by the Company.

Any redemption of the Mudaraba Instrument will be through the Group making a payment under a Mudaraba contract to the Issuer.

2. Accounting Policies (Continued)

2.5. Significant Management Estimates And Judgments

Use of estimates

The preparation of the financial statements requires management to use its judgment and make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions for impairment and fair values. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Significant items where the use of estimates and judgments are required are outlined below:

(i) Financial instruments

Judgments made in applying accounting policies that have most significant effects on the amounts recognized in the

consolidated financial statements of the year ended 31 December 2019 pertain:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.

-Calculation of expected credit loss (ECL): Assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 2019. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Inputs, assumptions and techniques used for ECL calculation

Key concepts that have the most significant impact and require a high level of judgment, as considered by the Group while determining the ECL, are:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

The Group's assessment of significant increases in credit risk is being performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Group has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.

2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment is based on individual assessment of financial assets for objective evidence of impairment.

The Group reviews its loans and receivables portfolio and Islamic financing receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

2. Accounting Policies (Continued)

2.5. Significant Management Estimates And Judgments (Continued)

future cash flows from a loan or homogenous group of loans and receivables or Islamic financing receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of ECL for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) such as occupancy rates, oil prices, housing price index and GDP (where applicable), that are closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the Group's ECL calculation will have forecasts of the relevant macroeconomic variables.

The Group estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

The Group base case scenario is based on macroeconomic forecasts published by the external experts and other publicly available data. Upside and downside scenarios are set relative to the Group base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios are probability-weighted according to the Group best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities.

Sensitivity assessment due to movement in each macro economic variable and the respective weights under the three scenarios is periodically assessed by the Group.

In some instances the inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Such cases are subjected to the Group's Governance process for oversight.

Definition of default

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All applicable contractual terms are considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Governance

In addition to the existing risk management framework, the Group has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management and Economist team and will be responsible for reviewing and approving key inputs and assumptions used in the Group ECL estimates. It also assesses the appropriateness of the overall allowance results to be included in the Group financial statements.

2. Accounting Policies (Continued)

2.5. Significant Management Estimates And Judgments (Continued)

(ii) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from quoted prices, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable market data where possible, but where this is not possible, a degree of judgment is required in establishing fair values. The judgments include consideration of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Fair values are subject to a control framework designed to ensure that they are either determined or validated, by a function independent of the risk taker.

(iii) Impairment loss on investment in associates and jointly controlled entities

Management reviews its share of investments in associates and jointly controlled entities to assess impairment on a regular basis. In determining the assessment, management compares the recoverable amount with the carrying value of the investment. Estimating recoverable amount using value in use requires the Group to make an estimate of the expected future cash flows from the associates and jointly controlled entities and choosing a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Contingent liability arising from litigations

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

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

(v) Valuation of unquoted equity investments

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

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

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

(vi) Impairment of associate

When indications exist that the carrying amount of the investment in associates would not be recoverable, an impairment is recognised. The recoverable amount is the higher of value in use and fair value less cost to sell. The fair value less cost to sell is based on the Group's best estimate of the price the Group would achieve in a sale transaction of the investment.

(vii) Provisions, contingent liabilities and commitments

Provision are recognised when the Group has a present constructive or legal obligation as a result of past events and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the market assessments of the time value of money and the increases specific to the liability.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

2. Accounting Policies (Continued)

2.5. Significant Management Estimates And Judgments (Continued)

(viii) Revaluation of investment properties and advances for investment properties

The Group carries its investment properties and advances for investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. The Group engaged independent valuation specialists to assess fair value during the year. These are valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

(ix) Allocation of transaction price to performance obligations in contracts with customers

The Group has elected to apply the input method in allocating the transaction price between respective performance obligations in a contract. In applying the input method the Group uses the fair values of the respective obligations to apportion the transaction value.

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Judgements

In addition to specific allowance against individually significant loans and receivables and Islamic financing receivables, the Group also makes a collective impairment allowance to recognise that at any reporting date, there will be an amount of loans and receivables and Islamic financing receivables which are impaired even though a specific trigger point for recognition of the loss has not yet been evidenced (known as the "emergence period').

Impairment of non-financial assets

The Group reviews its non-financial assets to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be reported in the statement of income, the Group makes judgments as to whether there is any observable data indicating that there is a reduction in the carrying value of non-financial assets.

Satisfaction of performance obligations

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

Determination of transaction prices

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

In determining the impact of variable consideration the Group uses the "most-likely amount" method in IFRS 15 whereby the transaction price is determined by reference to the single most likely amount in a range of possible consideration amounts.

Transfer of control in contracts with customers

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

2. Accounting Policies (Continued)

2.6. Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

Amounts arising from ECL

The following tables show reconciliations from the opening to the closing balance of the allowance for impairment on Islamic Financing and Investing Assets as a result of the adoption of IFRS 9: Financial instruments.

Islamic Financing and investing assets and undrawn irrevocable commitments

	2019 ***AED'000*** ***ECL***	2018 AED'000 ECL
Balance at 1 January (as per IAS 39)	**485,174**	637,109
Opening adjustment under IFRS 9*	-	(4,316)
Balance at 1 January (adjusted opening as per IFRS 9)	**485,174**	632,793
Allowances for impairment made during the year	**106,354**	48,394
Write back / recoveries made during the year	**102,506**	40,187
Amounts written off during the year	**(89,696)**	(193,947)
Exchange and other adjustments	**(7,233)**	6,141
Closing balance	**490,751**	485,174

*Impact of adopting IFRS 9 is exclusively from general reserve which has been credited to general impairment reserve.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

2.7. Standards Issued But Not Yet Effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

New and revised IFRS	Effective for annual periods beginning on or after
Amendments to IAS 1 *Presentation of Financial Statements* regarding the definition of material.	1 January 2020
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfillment 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.	1 January 2022

The Group has assessed the impact of above standard**.** Based on the assessment, the above standard has no material impact on the consolidated financial statements of the Group as at the reporting date.

3. Summary Of Significant Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in these Group consolidated financial statements, except for the changes explained in note 2.3.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to credit risks. Revenue is recognised in the income statement as follows:

Ijarah

Ijarah income is recognised on a time-proportion basis over the lease term.

Sharikatul Milk

Sharikatul Milk income is recognised on a time-proportion basis over the lease term or on transferring to the buyer the significant risks and rewards of ownership of the property.

Murabaha

Murabaha deferred profit is accounted for on a time-proportion basis over the period of the contract based on the net Murabaha amounts outstanding.

Mudaraba

Income or losses on Mudaraba financing are accounted for on a time-proportion basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas losses are charged to income on their declaration by the Mudarib.

Musharaka

Income is accounted for on the basis of the net invested Musharaka capital on a time- apportioned basis that reflects the effective yield on the asset.

Processing fees

Processing fees estimated to cover processing costs are recognised when related facilities are approved.

Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

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

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

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or 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 amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

3. Summary Of Significant Accounting Policies (Continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

Revenue from contracts with customers

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

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

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

Revenue is recognised in the consolidated income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Rental income

Rental income on investment properties is recognised in the profit and loss component of the statement of income on a straight line basis over the term of the lease where the lease is an operating lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease on a straight line basis.

Dividend

Dividend revenue is recognised when the right to receive the dividend is established.

Income on deposits

Income on deposits is accounted for on a time-apportioned basis based on the estimates of management and past history of income on similar deposits.

Allocation of profit

Allocation of profit between the financiers and the shareholders is calculated according to the Group's standard procedures and is approved by the Group's Fatwa and Sharia'a Supervisory Board.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank dues, if any.

Islamic financing and investing assets

Islamic financing and investing assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Islamic financing and investing assets are initially recognised at fair value, which is the cash consideration to originate the Islamic financing and investing assets including any transaction costs, and measured subsequently at amortised cost using the effective profit rate method. Income on Islamic financing and investing assets is included in the statement of income and is reported as income from Islamic financing and investing assets. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the Islamic financing and investing assets, and recognised in the statement of income as an impairment charge.

The Group assesses at the end of each reporting period whether there is objective evidence that Islamic financing and investing assets are impaired. Islamic financing assets are considered impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimat

3. Summary Of Significant Accounting Policies (Continued)

Allocation of profit (continued)

ed future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or profit;
- National or local economic conditions that correlate with defaults on the assets in the portfolio; and
- Demise of the debtor

The Group first assesses whether objective evidence of impairment exists individually for Islamic financing and investing assets that are individually significant and collectively for Islamic financing and investing assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed Islamic investing and financing asset, it includes it in a group of Islamic financing and investing assets with similar credit risk characteristics and collectively assesses them for impairment. Islamic financing and investing assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, Islamic financing and investing assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's evaluation process that considers category type, past-due status and other relevant factors).

The impairment charge on a group of Islamic financing and investing assets is collectively evaluated for impairment and estimated on the basis of historical trends of the probability of default, timing of recoveries and amount of loss incurred. Default rates, loss rates and expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure they remain appropriate. Where historical data is not sufficient to assess trends, market loss experience is substituted using a lagged approach whereby loss rates are based on movement of accounts from one stage of delinquency to another.

The amount of the loss is measured as the difference between the carrying amount of the Islamic financing and investing assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective profit rate of the Islamic financing and investing assets. The carrying amount of the Islamic financing and investing asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. If a Islamic financing and investing asset has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract.

When an Islamic financing and investing asset is uncollectible, it is written off against the related impairment allowance. If no related impairment allowance exists, it is written off to the statement of comprehensive income. Subsequent recoveries, if any, are credited to the statement of income. If the amount of impairment subsequently decreases due to an event occurring after the write down, the release of the allowance is credited to the statement of income.

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the statement of financial position. Fair values in the consolidated financial statements are determined based on valuations performed by an accredited external, independent valuer. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the statement of income in the period of derecognition.

Fair value is determined by reference to open market values based on valuations performed by independent

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

3. Summary Of Significant Accounting Policies (Continued)

Investment properties (continued)

surveyors and consultants. For advances for investment properties, valuations are adjusted for amounts to be paid in accordance with property purchase agreements.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or property under development, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property or property under development becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment or property under development up to the date of change in use.

Properties under development

Properties in the course of construction for sale are classified as properties under development. Sold and unsold properties under development are stated at cost less any impairment. Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the property, which are capitalised as and when activities that are necessary to get the property ready for the intended use are in progress.

Where revenue is recognised over the duration of a contract, the associated share of costs within properties under development are released to cost of sales in the income statement.

Completion is defined as the earlier of issuance of a certificate of practical completion, or when management considers the project to be completed. Upon completion, cost in respect of properties with the intention to sell or capital appreciation / rentals are eliminated from properties under construction and transferred to properties held for sale at cost.

Investment securities

All investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

At fair value through profit or loss

These are initially recognised at fair value. Gains and losses arising from changes in fair values are included in the statement of income for the year. Dividends received are included in other income according to the terms of the contract or when the right to the payment has been established.

At fair value through other comprehensive income

After initial recognition, investments classified as "fair value through OCI," are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. Cumulative gains and losses on equity instruments recognized in OCI are transferred to retained earnings on disposal of an investment.

Investment in associates and joint operations

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group has an interest in a joint operation and recognises in relation to its interest in the joint operation its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

3. Summary Of Significant Accounting Policies (Continued)

Investment in associates and joint operations (continued)

The Group's investments in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

Furniture, fixtures and office equipment

Furniture, fixtures and office equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Furniture and fixtures	4 - 7 years
Computer and office equipment	3 - 5 years

Capital work in progress is stated at cost and is transferred to the appropriate asset category when it is brought into use and is depreciated in accordance with Group's accounting policies.

The carrying values of furniture, fixtures and office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace furniture, fixtures and office equipment is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Zakat

Zakat is computed as per the Amlak's Articles and Memorandum of Association on the following basis:

- Zakat on shareholders' equity is computed on their Zakat pool (shareholders' equity less paid up capital, plus employees' end of service benefits) and is deducted from retained earnings.
- Zakat on the paid up capital is not included in the Zakat computation and is payable by the shareholders personally.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-laws set by the Board.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation amount can be made.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

3. Summary Of Significant Accounting Policies (Continued)

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Employees' end of service benefits

With respect to its national employees in the UAE, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognised in the statement of income when due.

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

Trade and settlement date accounting

All "regular way" purchases and sale of financial assets are recognised on the "trade date", i.e. the date that the Group purchases or sells the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial Instruments

(i) **Initial recognition and measurement**

a) Financial assets

Initial recognition

On initial recognition, a financial asset is classified as measured: at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Group's financial assets at amortized cost include Islamic financing and investing assets, cash and bank balances with banks and other assets except for prepayments.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in two categories:

- At amortised cost
- Financial assets at fair value (FVTPL or FVOCI)

Debt instrument

A financial asset (debt instrument) is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Group's financing assets and receivables including advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently mea

3. Summary Of Significant Accounting Policies (Continued)

(i) **Initial recognition and measurement (continued)**

a) Financial assets (continued)

Debt instrument (continued)

sured at amortised cost using the effective profit rate (EPR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an

integral part of the EPR. The EPR amortisation is included in finance income in the consolidated statement of income. The losses arising from impairment are recognised in the statement of income.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Equity instrument

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI, with only dividend income recognized in profit or loss. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.
- how the performance of the portfolio is evaluated and reported to the Group's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Assessment whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financing risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of profit rate.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

3. Summary Of Significant Accounting Policies (Continued)

(i) **Initial recognition and measurement (continued)**

a) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Group has transferred substantially all the risks and rewards of the asset, or ;

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

Write-off

Assets carried at amortised cost and equity securities at FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Finances and advances

'Islamic financing and investing assets' caption in the statement of financial position include:

Finances and advances measured at amortised cost: they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective profit method.

Investment securities

The 'investment securities' caption in the statement of financial position includes equity investment securities designated as FVOCI.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses on equity instruments recognised in OCI are transferred to retained earnings on disposal of an investment.

b) Financial Liabilities

Criteria for classification of financial liabilities under IFRS 9 is similar to IAS 39; financial liabilities are classified as financial liabilities at fair value through profit or loss, amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Initial recognition

Financial liabilities are initially recognized at fair value and, in case of financial liabilities not recorded at fair value through profit or loss, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, financing including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

3. Summary Of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

(i) **Initial recognition and measurement (continued)**

b) Financial Liabilities

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are recorded at amortized cost.

The Group classifies financial liabilities as held for trading when they have issued primarily for short term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Gains and losses arising from changes in fair values are included in the consolidated income statement in the year in which they arise.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group's financial liabilities at fair value through profit or loss are comprised of its finance rate derivative bifurcated from its term finance agreement.

Financing

After initial recognition, any financing obtained is subsequently measured at amortised cost using the EPR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EPR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included as finance costs in the consolidated statement of income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

(ii) Impairment

The Group recognises allowance for impairment for expected credit losses (ECL) on financial assets measured at amortised cost and commitments issued.

The Group measures allowance for impairment at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn finance commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

3. Summary Of Significant Accounting Policies (Continued)

(ii) Impairment (continued)

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the customer;
- a breach of contract such as a default or past due event;
- the restructuring of a finance or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a collateral because of financial difficulties.

Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;

(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each reporting date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted investment securities.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

3. Summary Of Significant Accounting Policies (Continued)

(iii) Offsetting of financial instruments (continued)

Fair value measurement (continued)

Management, in conjunction with the Group's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currencies

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

All the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4. Income From Islamic Financing And Investing Assets

	2019	*2018*
	AED'000	*AED'000*
Financing assets:		
Ijarah	**143,595**	144,478
Forward Ijarah	**5,603**	6,166
Shirkatul Milk	**13,276**	11,751
Others	**232**	233
	162,706	162,628
Investing assets:		
Wakala	**4,198**	4,155
	166,904	166,783

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

5. Operating Expenses

	2019 AED'000	2018 AED'000
Personnel	**43,790**	46,293
Legal consultancy and professional	**16,414**	34,083
Business process	**11,725**	14,658
Property management (note 12)	**21,543**	22,122
Rent	**3,957**	4,458
IT related expense	**3,430**	3,190
Depreciation	**6,602**	5,748
Others	**9,984**	15,656
	117,445	146,208

6. Distribution To Financiers / Investors

The distribution of profit between the financiers and shareholders has been made in accordance with a basis ratified by the Fatwa and Sharia'a Supervisory Board and in accordance with the agreements with the respective financiers.

7. Basic And Diluted Loss Per Share

Loss per share is calculated by dividing loss attributable to the equity holders of the parent for the year net of directors' fees and zakat, by weighted average number of shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares:

AED'000	2019 AED'000	2018
Loss for the year attributable to equity holders of the parent net of Directors' fee and zakat (AED'000)	**(322,640)**	(268,507)
Weighted average number of shares for basic EPS (in thousands)	**1,475,230**	1,475,000
Effect of dilution:		
Mudaraba Instrument (in thousands)	**1,511,857**	1,511,857
Weighted average number of ordinary shares adjusted for the effect of dilution	**2,987,087**	2,986,857
Attributable to equity holders of the parent:		
Basic loss per share (AED)	**(0.22)**	(0.18)
Diluted loss per share (AED)	**(0.22)**	(0.18)

7. Basic And Diluted (Loss) / Profit Per Share (Continued)

The weighted average numbers of shares for basic EPS were reduced by the purchase of own shares during the year 2008 (note 22). During the year ended 31 December 2019, 4.2 million shares were sold.

Diluted loss per share for the year ended 31 December 2019 has been reported same as basic loss per share in these consolidated financial statements, as the impact of potential ordinary shares is anti-dilutive.

8. Cash And Balances With Banks

		2019 AED'000	2018 AED'000
Cash on hand		**60**	59
Balances with banks		**63,297**	92,755
Deposits with banks		**119,758**	163,173
Cash and balances with banks		**183,115**	255,987
Less: Restricted cash and deposits			
Regulatory deposit with no maturity	(note 8.1)	**(35,000)**	(35,000)
Restricted cash	(note 8.2)	**(90,004)**	(133,901)
Cash and cash equivalents		**58,111**	87,086

8.1. Represents deposits with a local bank under lien to the Central Bank of UAE in accordance with Central Bank regulations for licensing.

8.2. At year end, the Group reported AED 90 million (31 December 2018: AED 134 million) of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture (note 13).

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

9. Islamic Financing And Investing Assets

	2019 AED'000	2018 AED'000
Financing assets:		
Ijarah	**2,269,645**	2,432,347
Forward Ijarah	**244,594**	312,659
Shirkatul Milk	**170,514**	168,411
Real estate Murabaha	**817**	1,107
Others	**65,039**	74,500
	2,750,609	2,989,024
Allowance for impairment (note 2.6)	**(490,751)**	(485,174)
Total financing assets	**2,259,858**	2,503,850
Investing assets:		
Wakala	**175,000**	200,000
Total investing assets	**175,000**	200,000
	2,434,858	2,703,850

9. Islamic Financing And Investing Assets (Continued)

Net Islamic financing and investing assets by geographical area are as follows:

	2019 AED'000	2018 AED'000
Within U.A.E.	**2,290,170**	2,613,790
Outside U.A.E.	**144,688**	90,060
	2,434,858	2,703,850

The movement in the allowance for impairment is as follows:

	2019 AED'000	2018 AED'000
At 1 January	**485,174**	637,109
Movement during the year - net	**5,577**	(151,935)
At 31 December	**490,751**	485,174

9.1. Allowance for impairment includes AED 68 million (2018: AED 78 million) in respect of profit in suspense for impaired financing and investing assets.

9.2. As stated in note 2.6, the allowance for impairment is management's best estimate and is based on assumptions considering several factors as per IFRS 9.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

10. Investment Securities

	2019 AED'000	2018 AED'000
Equities (FVOCI)	**7,769**	7,714

31 December 2019

	Investments carried at fair value			
	Total AED'000	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**
Equities (FVOCI)	**7,769**	-	-	**7,769**

31 December 2018

	Investments carried at fair value			
	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Equities (FVOCI)	7,714	-	-	7,714

There were no transfers of securities between the Level 1 and Level 2 categories of the fair value hierarchy in the current and prior year.

The following shows a reconciliation from the opening balances to the closing balances for level 3 fair values:

	2019 AED'000	2018 AED'000
Balance at 1 January	**7,714**	7,717
Exchange movement	**55**	(3)
Balance at 31 December	**7,769**	7,714

11. Advances For Investment Properties

	31 December 2019 AED'000	31 December 2018 AED'000
At 1 January	**322,818**	322,818
Settled during the year	**(30,037)**	-
Provisions	**(292,781)**	(146,781)
At 31 December	**-**	176,037

This represents the advances paid by the Group towards the acquisition of units in two under-development real estate projects in Dubai. Both projects are delayed by a number of years and the date of completion is uncertain. The Group commenced arbitration in 2013 with one developer to facilitate recovery of advances paid of AED 780 million with a carrying value of AED Nil (31 December 2018: AED 146 million). During the year, the arbitration was awarded in the Group's favor with the cancelation of the original SPAs and addendum there to. Advances paid by the Group to developer are fully provided as recommended by the Central Bank and ratified by Board of Directors based on the assessment.

Based on a favorable Court judgement, advances for investment properties amounting to AED 30 million under Istisna with a financial institution and associated liability of AED 39 million were settled during the year. The Group also received AED 13 million against settlement of this transaction and recorded a gain of AED 21 million during the year.

12. Investment Properties

	2019 AED'000	2018 AED'000
At 1 January	**1,989,071**	1,821,064
Additions during the year	**192,271**	224,155
Disposals during the year	**(94,728)**	(20,533)
Fair value loss on investment properties	**(18,241)**	(34,785)
Foreign exchange fluctuation	**20,576**	(830)
Transfer from property under development	**230,845**	-
At 31 December	**2,319,794**	1,989,071

Investment properties consist of land, villas and units in buildings held for lease or sale. In accordance with its accounting policy, the Group carries investment properties at fair value.

The fair values of the properties are based on valuations performed at year end by independent professionally qualified valuers who hold a recognised relevant professional qualification and have relevant experience in the locations and segments of the investment properties valued. The valuation model used is in accordance with that recommended by the Royal Institute of Chartered Surveyors.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

12. Investment Properties (continued)

Investment properties as at 31 December 2019 include a plot of land and two units (31 December 2018: two units) in Egypt owned by the Group's subsidiaries amounting to AED 195 million (2018: AED 176 million). All other investment properties are located within the UAE. The carrying values of AED 195 million (2018: 176 million) also includes foreign exchange gains and losses on currency translation of investment properties in Egypt which is included in equity.

Except for investment properties in a joint venture, investment properties are categorised as Level 2 for fair value measurement as they have been derived using the comparable price approach based on comparable transactions for similar properties. Sales prices of comparable properties in close proximity are adjusted for differences in the key attributes such as property size and location. The most significant input into this valuation approach is the estimated price per square foot for each given location. There were no transfers into or out of the Level 2 category during the year.

Valuation technique used for investment properties in the joint venture is based on the income approach which uses significant unobservable inputs, hence is classified as Level 3. Inputs used by valuator include sale price range from AED 166 to AED 337 per sqft with absorption period of 4 years at 8% fair value rate.Significant increases/(decreases) in comparable market value in isolation would result in a significantly higher/ (lower) fair value of the properties.

As at 31 December 2019, investment properties having fair value of AED 1,509 million (31 December 2018: AED 1,064 million) are mortgaged / assigned in favor of the security agent as part of the restructuring (note 17).

	2019 ***AED'000***	*2018* *AED'000*
Rental income derived from investment properties	**57,498**	64,447
Direct operating expenses (including repairs and maintenance) generating rental income	**(21,543)**	(22,122)
Profit arising from rental on investment properties carried at fair value	**35,955**	42,325

13. Properties Under Development

	2019 ***AED'000***	*2018* *AED'000*
At 1 January	**230,845**	212,849
Cost of sale of properties under development	-	(5,304)
Additions for construction costs incurred	-	23,300
Transfer to investment property (note 12)	**-**	**(230,845)**
At 31 December	-	230,845

13. Properties Under Development (continued)

During the year ended 31 December 2019 the Group transferred properties under development to investment properties due to change in use of the properties under development.

On 1 October 2014, the Group entered into a joint venture agreement with another party to develop a jointly owned plot of land in Nad Al Hammar. Amlak Finance PJSC acquired a 50% interest in Al Warqa Gardens LLC, a jointly controlled entity to develop a jointly owned plot of land in Nad Al Hammar. The Group has a 50% share in the assets, liabilities, revenue and expenses of the joint venture and accordingly under IFRS 11 it is deemed to be a jointly controlled operation. As the land was under development with a view to disposal in the market, it was treated as property under development with an initial cost equal to its fair value at the time of transfer from investment property portfolio for AED 330 million. Subsequent expenditure to develop the land for resale was included in the cost of the property. The cash held by the joint venture is restricted, given that it is contractually committed to the development of the land under the joint venture agreement. The Group's share of this restricted cash balance at 31 December 2019 is AED 90 million (31 December 2018: AED 134 million) (Note 8).

The joint venture had entered into agreements to sell a number of sub-divided plots of the Nad Al Hammar land. Applying the requirements of IFRS 15, the joint venture had identified two performance obligations within these agreements being to transfer control of land and to provide infrastructure to the plots. The revenue assigned to the sale of land was recorded at the time of transfer of the control of the land and the revenue relating to the building of infrastructure was recorded over the period of construction of the infrastructure on the basis that the joint venture has an enforceable right to payment for performance completed to date. The contracted revenue has been allocated between the two separate obligations on the basis of their respective fair values.

Post completion of infrastructure development, the Group has transferred properties under development to investment properties upon completion of the required criteria as the Group intends to hold these properties for capital appreciation or to earn rental income. Investment properties in the joint venture balance represents AED 231 million transfer from properties under development, addition of AED 81 million on construction of buildings and AED 108 million fair value gain on the land during the year ended 31 December 2019.

The following items represent the Group's interest in the assets, liabilities, revenue and expenses of the joint operation after elimination of intercompany transactions:

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

13. Properties Under Development (Continued)

	2019 AED'000	2018 AED'000
Properties under development	-	230,845
Investment properties	**419,625**	-
Cash and balances with banks (Note 8)	**90,004**	133,901
Other assets - receivables	**5,137**	8,346
Deferred income and other liabilities	**(33,736)**	(4,781)
Net Assets	**481,030**	368,311
Revenue	**-**	60,747
Income on deposits	**3,677**	5,617
Other income	**-**	5,086
Cost of sale of properties under development	-	(5,304)
Operating expenses	**(161)**	(738)
Profit for the year	**8,246**	60,322

Revenue for the year comprises AED Nil (2018: AED 61 million) following satisfaction of transfer of control of land performance obligations and AED Nil (2018: AED 5.3 million) following the infrastructure development has been 100% completed by the contractor and all major contingencies were waived during the year ended 31 December 2019. Receivable amounts due under the respective sale agreements on which land transfer revenue has been recognised are due for settlement to the joint venture within 12 months of the reporting date.

14. Investment In An Associate

	Percentage holding 2019	2019 2018	2018 AED '000	AED'000
Amlak International for Real Estate Finance Company, Saudi Arabia (AIRE)	**26.21%**	26.21%	**288,946**	289,005

The following table illustrates the summarised financial information of the Group's investment in AIRE:

14. Investment In An Associate (Continued)

	2019 AED'000	2018 AED'000
Assets	**3,285,169**	3,143,757
Liabilities	**(2,196,633)**	(2,049,160)
Equity	**1,088,536**	1,094,597
Group's carrying amount of the investment	**288,946**	289,005
Revenue	**287,068**	256,347
Profit for the year	**65,488**	94,287
Group's share of profit for the year	**16,958**	21,275

During the year, the Group received a dividend of AED 16.56 million (2018: AED 16.5 million) from AIRE. Financial information and results of AIRE are based on the latest available management accounts as at 31 October 2019 (2018: as at 30 November 2018) and extrapolated for the remaining 2 months (2018: 1 month) to 31 December 2019.

Based on the discussion with regulators, AIRE has recorded AED Nil (31 December 2018: AED 32.8 million as its best estimate of additional zakat liability. Accordingly, the Group has recorded its share of AED Nil (31 December 2018: AED 8.584 million) in its equity.

15. Other Assets

	2019 AED'000	2018 AED'000
Prepayments	**2,964**	3,762
Receivable from brokerage activities	**6,000**	6,000
Land registration and service fees	**11,348**	20,322
Advances	**2,342**	2,015
Profit receivable	**310**	363
Due from related parties (note 29)	**-**	703
Foreclosed accounts receivables (note 15.2)	**23,005**	20,064
Assets subject to lease (note 2.3)	**9,065**	-
Others (note 15.3)	**6,928**	14,088
	61,962	67,317

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

15. Other Assets (Continued)

15.1. Balances are stated net of provision for doubtful debt and is past due by more than 12 months on the reporting date. Management is confident of a full recovery of the net balance. During the year impairment amounting to AED 8.27 million (31 December 2018: AED 18.9 million) is recorded on other assets.

15.2. This represents the fair values of the foreclosed units in relation to settlement of financing assets wherein units transferred to investment properties in subsequent period post completion of ownership transfer formalities with the Dubai Land Department.

15.3. Balance includes AED 5.14 million (31 December 2018: AED 8.3 million) pertaining to receivables of Al Warqa Gardens LLC (Note 13).

16. Furniture, Fixtures And Office Equipment

	2019	*2018*
	AED'000	*AED'000*
Furniture, fixtures and office equipment (note 16.1)	**10,424**	16,742
Capital work in progress (note 16.2)	**424**	472
	10,848	17,214

16.1. Furniture, fixtures and office equipment are as follows:

2019:		*Furniture and fixtures AED'000*	*Computers and office equipment AED'000*	*Total AED'000*
Cost:				
At 1 January 2019		16,022	66,923	82,945
Additions during the year		**9**	**345**	**354**
Disposals during the year		**-**	**(2)**	**(2)**
Exchange (loss)/gain & adjustments	**(70)**	**118**	**48**	
At 31 December 2019	**15,961**	**67,384**	**83,345**	
Accumulated depreciation:				
At 1 January 2019		14,621	51,582	66,203
Depreciation charge for the year		**268**	**6,334**	**6,602**
Disposals during the year		-	**(2)**	**(2)**
Exchange gain /(loss) & adjustments		**27**	**91**	**118**
At 31 December 2019	**14,916**	**58,005**	**72,921**	
Net book value:				
At 31 December 2019	**1,045**	**9,379**	**10,424**	

16. Furniture, Fixtures And Office Equipment (Continued)

2018:	*Furniture and fixtures AED'000*	*Computers and office equipment AED'000*	*Total AED'000*
Cost:			
At 1 January 2018	15,855	53,096	68,951
Additions during the year	169	5,491	5,660
Disposals during the year	(2)	(110)	(112)
Prior year adjustment	-	8,446	8,446
At 31 December 2018	16,022	66,923	82,945
Accumulated depreciation:			
At 1 January 2018	14,303	39,844	54,147
Depreciation charge for the year	319	5,429	5,748
Disposals during the year	(1)	(106)	(107)
Prior year adjustment	-	6,415	6,415
At 31 December 2018	14,621	51,582	66,203
Net book value:			
At 31 December 2018	1,401	15,341	16,742

16.2. The amount relates to ongoing IT projects.

17. Investment Deposits And Other Islamic Financing

	Frequency of instalments	*Final instalment date*	*Profit rate*	***2019***	*2018*
	Monthly	25 October 2026		***AED'000***	*AED'000*
Murabaha	Monthly	4 July 2020	2%	**207,228**	**207,228**
Wakala	Monthly	4 July 2020	4%	**49,923**	**128,375**
Others	Monthly	25 October 2026	4%	**114,430**	**294,250**
Purchase price payable			2%	**4,011,781**	**4,011,781**
				4,383,362	**4,641,634**
Unamortised fair value adjustment (note 17.1)				**(327,247)**	**(423,609)**
				4,056,115	**4,218,025**

Investment deposits and other Islamic financing are secured by assignment and mortgage over the Group's investment properties located in UAE (notes 12 and 13), assignment of insurance, pledge over bank accounts (note 8), assignment of rights to receive payments in connection with the Islamic financing and investing assets portfolio and corporate guarantees of the Group's subsidiaries. Securities offered would be held by a security agent on behalf of the financiers.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

17. Investment Deposits And Other Islamic Financing (continued)

17.1 Unamortised fair value adjustment

	2019 AED'000	2018 AED'000
At 1 January	**423,609**	533,691
Amortisation charged for the year	**(96,362)**	(110,082)
	327,247	423,609

The nature of the Company's deposits was significantly changed due to the restructuring undertaken in 2014, resulting in a fixed obligation to be paid to the Commercial Financiers and Liquidity Support Providers. The face value of the restructured fixed obligations at year end is AED 4,383 million (31 December 2018: AED 4,642 million). In accordance with IFRS, due to the substantial changes in the terms of the investment deposits through the restructuring, a fair valuation assessment of the restructured obligations was performed based on the net present value of the contracted cash flows. As at 25 November 2014, the restructured obligations were initially recognised at fair value in the statement of financial position giving rise to AED 911 million of fair value gain which was recorded in the consolidated statement of income.

The fair value adjustment was calculated using a discount rate of 5% based on management's market yield expectation adjusted for risks specific to the Group.

The obligations are subsequently to be measured at amortised cost using the effective finance rate method. Consequently, the gain on initial recognition recorded will fully reverse out over the repayment period of 12 years, with a resulting charge to the consolidated statement of income each year. The cumulative value of fair value gain amortised as at 31 December 2019 was AED 583 million (31 December 2018: AED 487 million) giving a residual fair value gain of AED 328 million as at 31 December 2019 (31 December 2018: AED 424 million) to be amortised over the remaining repayment period.

Under the terms of the Common Terms Agreement of 2014 restructuring, the Group is required to distribute any cash surplus with the definition of surplus being defined in the terms of the agreement, as subsequently modified in December 2016, based on an assessment of the cash position of the Group every 6 months. The first of such assessments was performed in December 2014 and gave rise to a repayment to the financiers of AED 944 million representing an advance payment of 22 future monthly scheduled installments.

Under the cash sweep mechanism the second assessment was performed based on the cash position as at 30 June 2015 and consequently an advance payment of AED 558 million representing 13 future scheduled monthly installments up to October 2018 was paid on 16 July 2015.

The third assessment was performed based on the cash position as at 31 December 2015 and consequently an advance payment of AED 137 million representing 2 future scheduled monthly installments up to December 2018 was paid on 25 January 2017. The fourth assessment was performed based on the cash position as at 30 June 2017 and consequently an advance payment of AED 137 million representing 2 future scheduled monthly installments up to February 2018 was paid on 25 July 2017.

In December 2016, Amlak agreed with its financiers to waive a number of restrictive covenants, which included adjustments to certain restrictions to allow for the company's mortgage book to be maintained at higher anticipated levels, funds to be raised under certain pre-agreed parameters, and restrictions on business origination to be removed. The new terms do not affect the repayment period or amounts or profit payments to financiers.

An advance payment of AED 684 million representing 10 future scheduled monthly installments up to December 2018 was paid on 25 January 2018.

Please refer to note 2.1 for events subsequent to year end.

18. Term Islamic Financing

	2019 AED'000	2018 AED'000
Istisna - Forward Ijarah financing by subsidiary (note A)	**-**	38,559
Egyptian Mortgage Refinance Company (note B)	**85,648**	56,012
Egyptian Arab Land Bank (note C)	**20,735**	17,114
Suez Canal	**8,679**	**-**
	115,062	111,685

A) Istisna - Forward Ijarah financing by subsidiary

During 2008, the Group entered into an Istisna - Forward Ijarah arrangement with an Islamic bank to finance the purchase of office condominium units in a property which is currently being constructed. Based on a favorable court judgement it was settled during the year.

B) Egyptian Mortgage Refinance Company (EMRC)

As at the year end, EMRC long term facilities to the Group's subsidiary in Egypt amounted to Egyptian Pounds 375 million (31 December 2018: Egyptian Pounds 274 million) to finance the subsidiary's activities. These facilities carry a profit rate range from 1% per annum to 21% per annum (2018: 1% per annum to 21% per annum) payable on a monthly basis over a maximum period of 20 years.

C) Egyptian Arab Land Bank (EALB)

As at the year end, EALB long term facilities to the Group's subsidiary in Egypt amounted to Egyptian Pounds 91 million (31 December 2018: 84 million) to finance the subsidiary's activities. These facilities carry a maximum profit rate range of 1.5% per annum to average corridor rate from Central Bank of Egypt (2018: Nil) payable on a monthly basis over a maximum period of 7 years.

19. Employees' End Of Service Benefits

	2019 AED'000	2018 AED'000
At 1 January	**4,398**	6,551
Provided during the year	**1,163**	766
Paid during the year	**(1,453)**	(2,919)
At 31 December	**4,108**	4,398

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

20. Other Liabilities

	31 December 2019 AED'000	31 December 2018 AED'000 (Restated)	1 January 2018 AED'000 (Restated)
Provisions and accruals	**54,530**	68,167	54,046
Unearned rental income	**7,288**	5,556	11,055
Dividend payable	**6,559**	6,563	6,578
Anticipated profits payable on investment deposits and other Islamic financing	**4,763**	2,988	3,912
Provision for litigation claims (note 20.1)	**13,770**	14,475	14,475
Payable to the customer (note 20.2)	**154,314**	154,314	154,314
Zakat payable	**56**	56	456
Security deposits	**7,370**	8,942	6,535
Property management payables	**2,873**	4,683	7,156
Lease obligations (note 2.3)	**9,065**	-	-
Other payables (note 20.3)	**62,702**	26,305	39,399
	323,290	292,049	297,926

20.1 This includes provision of AED 14 million (31 December 2018: AED 14.5 million) against certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions.

20.2 In 2008, the Group entered into a sale purchase agreement ("SPA") with a developer for the acquisition of various buildings under development. On finalisation of this agreement the Group entered into a separate SPA with a customer wherein a certain portion of a building was sold to this customer for AED 154 million. Based on the understanding that both SPAs were related to the same transaction the Group netted off the advance received from the customer amounting to AED 154 million against the advances paid for the buildings under development. During current year, following finalisation of the arbitration in the Group's favour and cancellation of SPA with the developer, advance become due for repayment to customer. The Group reassessed its liability towards the customer and is therefore now correcting its prior year booking by recognizing a liability and adjusting opening accumulated losses with AED 154 million to account for this error.

20.3. This includes AED 34 million (31 December 2018: AED 5 million) pertaining to deferred income and other liabilities of Al Warqa Gardens LLC (note 13).

21. Share Capital

	2019 AED'000	2018 AED'000
Authorised, Issued and fully paid		
1,500,000,000 shares of AED 1 each		
(31 December 2018: 1,500,000,000 ordinary shares of AED 1 each)	**1,500,000**	1,500,000

Mudaraba Instrument

The Group has issued a Mudaraba Instrument which is convertible to ordinary shares (note 26) on completion of certain conditions. At the time of issuance of the Mudaraba Instrument, the shareholders passed resolutions in the extraordinary general assembly meeting held on 28 September 2014 to increase the share capital of the Company by upto AED 2.1 billion from time to time in such amount or amounts as may be required.

22. Treasury Shares

During 2008, the Group purchased 25 million of its shares, equivalent to 1.67% of the issued shares. These shares are recorded in the statement of financial position as treasury shares. During the year ended 31 December 2019, 4.2 million treasury shares were sold.

23. Statutory Reserve

As required by the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the Company's profit for the year is to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

24. General Reserve

As required by the Company's Articles of Association, 10% of the profit for the year is to be transferred to general reserve. As per the Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors.

25. Special Reserve

The special reserve, which has been created in accordance with the recommendations of the UAE Central Bank and is not available for distribution.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

26. Mudaraba Instrument

	2019 AED'000	2018 AED'000
Mudaraba Instrument (nominal value)	**1,025,560**	1,025,560
Mudaraba Instrument Reserve	**(810,088)**	(810,088)
Mudaraba Instrument (carrying value)	**215,472**	215,472

On 25 November 2014, a Mudaraba Instrument of AED 1,300 million with a maturity in November 2026 was issued through a special purpose vehicle owned by the Group. On maturity, the Mudaraba Instrument to the extent it is not redeemed, will mandatorily convert into ordinary shares of the Company with the face value of AED 1 each.

The Mudaraba Instrument at the time of issue comprised:

1. Face Value of AED 1,300 million.

2. An expected profit rate of 1% per annum on the outstanding balance each year, payable as profit in kind ("PIK") which the Company can elect to make distributions in cash or in the form of shares.

3. A contingent issuance of upto 500 million shares applicable only to the extent the Mudaraba Instrument remains outstanding at maturity. The number of contingent shares to be issued is prorated with the amount of Mudaraba Instrument remaining outstanding.

Mudaraba Instrument includes a clause giving effect to a potential increase in expected profit on the Mudaraba Instrument. The amount will be calculated as an increase in the applicable profit rate from 2% to 8% on the outstanding payable to the commercial financiers (note 17). The aforementioned will be applicable in the event the group elects not to redeem the appropriate amount of Mudaraba Instrument immediately after the sale of the qualifying investment properties.

26. Mudaraba Instrument (Continued)

At the Company's discretion, realised gains on the sale of qualifying investment properties (note 12), advance for investment properties (note 11) and properties under development (note 13) will be used to redeem the Mudaraba Instrument along with the relevant payable amount of PIK. As the Mudaraba Instrument is redeemed, there will be a proportionate reduction in the contingent share issuance due. In the event that a sale on a qualifying investment property is completed, but there is no corresponding redemption of Mudaraba Instrument, the expected profit will be subject to change as explained above. The qualifying investment property has an aggregate carrying value of AED 1,997 million as at 31 December 2019 (31 December 2018: AED 1,762 million), for which the aggregate trigger fair value for qualifying property disposal is AED 2,652 million (31 December 2018: AED 2,652 million).

The Mudaraba Instrument was recorded at fair value at the time of issuance. The difference between the fair value of the Mudaraba Instrument and the carrying value of the deposits it replaced of AED 1,027 million was recorded as a gain in the 2014 income statement as required by IFRS. Subsequent to initial recognition, the carrying value of the Mudaraba Instrument will not be re-measured. The fair value gain of AED 1,027 million on initial recognition of the Mudaraba Instrument was transferred from accumulated losses to the Mudaraba Instrument reserve. This reserve will be utilized in the event of any repayment of the Mudaraba Instrument or on issue of shares in the Company on maturity of the Mudaraba Instrument. Any difference between the par value of shares issued on conversion and the carrying value of the Mudaraba Instrument and Mudaraba Instrument reserve will be posted to retained earnings / accumulated losses.

The fair value of the Mudaraba Instrument was determined based on management's best estimate of the expected cash flows that will arise, discounted at the Company's cost of equity. For this purpose, management assumed that the Mudaraba Instrument will be redeemed, in full, in year 12 and the PIK charge for the 12 year period will be settled on the same date.

The fair value of the Mudaraba Instrument was calculated using a cost of equity of 14.96% calculated under the Capital Assets Pricing Model wherein the risk free return was based on UAE Government's long term bond; levered beta was based on comparable company's beta within similar businesses and a market risk premium was based on current market conditions which reflects the additional expected return over a risk free investment.

On 12 August 2015, the Board of Directors of the Company voluntarily opted to redeem AED 200 million against the Mudaraba Instrument which has reduced the Mudaraba Instrument and Mudaraba Instrument reserve by AED 42 million and 158 million respectively. The face value of Mudaraba instrument outstanding at 31 December 2019 is AED 1,026 million (31 December 2018: AED 1,100 million). The Company also paid AED 9 million in respect of PIK charge falling due as a consequence of the repayment of the Mudaraba Instrument with the amount being 1% of the outstanding Mudaraba Instrument from the date of restructuring to the date of redemption. This charge was recorded in accumulated losses in equity.

On 23 November 2017, the Board of Directors of the Company voluntarily opted to redeem AED 75 million against the Mudaraba Instrument which has reduced the Mudaraba Instrument and Mudaraba Instrument reserve by AED 16 million and 59 million respectively. The face value of Mudaraba instrument outstanding at 31 December 2019 is AED 1,026 million (31 December 2018: AED 1,026 million). The Company also paid AED 25 million in respect of PIK (profit) as a consequence of the redemption of the capital under the Mudaraba Instrument with the amount being 1% of the outstanding Mudaraba Instrument from the 1st redemption date to the 2nd redemption date. This charge was recorded in accumulated losses in equity.

At 31 December 2019, the maximum number of shares which may convert under the instrument are 1,512 million (31 December 2018: 1,512 million).

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

27. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Accumulated balances of material non-controlling interest:

	Note	**2019 AED'000**	2018 AED'000
Amlak Sky Gardens LLC	27.1	**113,449**	127,549
EFS Financial Services LLC		**(11,710)**	(21,214)
		101,739	106,335

Profit / (loss) allocated to material non-controlling interest:

	Note	**2019 AED'000**	2018 AED'000
Amlak Sky Gardens LLC	27.1	**(7,805)**	2,959
EFS Financial Services LLC		**9,504**	(9,126)
		1,699	(6,167)

27.1. The Group holds 100% share capital of Amlak Sky Gardens LLC. The Group uses Amlak Sky Gardens LLC as a special purpose entity, to hold in association with another party certain units in a building known as the Sky Gardens Project ("the Project"). The Group's share is 67% under the terms of the Project agreement with the counterparty and the Project earnings are to be split in the ratio of the 67% to the Group and 33% to the other party. The funding has been classified as equity within Amlak Sky Gardens LLC and hence gives rise to a non-controlling interest at Group level.

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarized statement of income

2019:

	Amlak Sky Gardens LLC AED'000	**EFS Financial Services LLC AED'000**
Revenue	**17,328**	**23,314**
General and administrative expenses	**(4,818)**	**(58)**
Distribution to financiers / investors	-	**(894)**
Fair value loss on investment property	**(36,160)**	-
Total comprehensive (loss) / income for the year	**(23,650)**	**22,362**
Attributable to non-controlling interests	**(7,805)**	**9,504**

27. Material Partly-Owned Subsidiaries (Continued)

Summarized statement of income (continued)

2018:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Revenue	19,214	37
General and administrative expenses	(9,606)	(20,575)
Distribution to financiers / investors	-	(936)
Fair value loss on investment property	(640)	-
Total comprehensive income / (loss) for the year	8,968	(21,474)
Attributable to non-controlling interests	2,959	(9,126)

Summarized statement of financial position

2019:

	Amlak Sky Gardens LLC AED'000	***EFS Financial Services LLC AED'000***
Cash and bank balances	**8,506**	-
Investment properties	**340,740**	-
Other assets	**643**	**6,012**
Due to related party	-	(**33,157**)
Other liabilities	**(8,614)**	**(409)**
Total equity	**341,275**	**(27,554)**
Attributable to:		
Equity holders of the parent	**227,826**	(**15,844**)
Non-controlling interests	**113,449**	(**11,710**)
	341,275	**(27,554)**

2018:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Cash and bank balances	27,330	-
Advances for investment properties	-	30,037
Investment properties	376,900	-
Other assets	135	6,012
Term Islamic financing	-	(38,559)
Due to related party	-	(46,916)
Other liabilities	(10,551)	(490)
Total equity	393,814	(49,916)
Attributable to:		
Equity holders of the parent	266,265	(28,702)
Non-controlling interests	127,549	(21,214)
	393,814	(49,916)

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

27. Material Partly-Owned Subsidiaries (Continued)

Summarized statement of cash flows

2019:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Operating	**10,065**	
	1,901	
Investing	**-**	**12,752**
	(28,889)	
Financing	**(14,653)**	
Net decrease in cash and cash equivalents	**(18,824)**	**-**

2018:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Operating	12,636	(2,107)
Financing	(16,965)	2,100
Net decrease in cash and cash equivalents	(4,329)	(7)

28. Segmental Information

For management purposes, the Group is organised into three business segments, real estate finance (comprising of financing and investing activities), real estate investment (comprising of property transactions) and corporate finance investments.

Management monitors the operating results of its business units for the purpose of making decisions about resource allocation and assessment of performance.

Operating segments:

The Group's revenues and expenses for each segment for the year ended 31 December are as follows:

2019:

	Real Estate Finance	*Real Estate Investment*	*Corporate Finance Investments*	*Total*
	AED'000	***AED'000***	***AED'000***	***AED'000***
Operating income	**103,800**	**96,683**	**42,893**	**243,376**
Distribution to financiers / investors	**(44,561)**	**(47,042)**	**(17,926)**	**(109,529)**
Allowances for impairment	**(107,123)**	**(148,540)**	**(1,117)**	**(256,780)**
Amortisation of fair value gain	**(35,541)**	**(51,520)**	**(9,301)**	**(96,362)**
Expenses (including allocated expenses)	**(77,915)**	**(29,856)**	**(9,674)**	**(117,445)**
Share of results of an associate	**-**	**-**	**16,958**	**16,958**
Segment results	**(161,340)**	**(180,275)**	**21,833**	**(319,782)**
Non-controlling interests				**(1,699)**
				(321,481)

2018:

	Real Estate Finance AED'000	*Real Estate Investment AED'000*	*Corporate Finance Investments AED'000*	*Total AED'000*
Operating income	133,435	134,952	17,586	285,973
Distribution to financiers / investors	(48,174)	(46,711)	(17,267)	(112,152)
Allowances for impairment	(42,724)	(142,926)	(20,276)	(205,926)
Amortisation of fair value gain	(51,553)	(49,047)	(9,482)	(110,082)
Expenses (including allocated expenses)	(91,623)	(43,787)	(10,798)	(146,208)
Cost of sale of properties under development	-	(5,304)	-	(5,304)
Share of results of an associate	-	-	21,275	21,275
Segment results	(100,639)	(152,823)	(18,962)	(272,424)
Non-controlling interests				(6,167)
				(266,257)

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

28. Segmental Information (continue)

Segment assets and liabilities:

The following table presents segment assets and liabilities of the Group as at 31 December:

2019:

	Real Estate Finance AED'000	*Real Estate Investment AED'000*	*Corporate Finance Investments AED'000*	*Total AED'000*
Segment assets	**3,021,941**	**1,831,111**	**454,240**	**5,307,292**
Segment liabilities	**938,900**	**3,081,888**	**477,787**	**4,498,575**
Depreciation	**6,309**		**293**	**6,602**
Capital expenditure	**306**	**-**	**-**	**306**

2018:

	Real Estate Finance AED'000	*Real Estate Investment AED'000*	*Corporate Finance Investments AED'000*	*Total AED'000*
Segment assets	3,431,864	1,867,776	437,400	5,737,040
Segment liabilities	1,203,944	2,938,736	483,477	4,626,157
Depreciation	5,558	-	190	5,748
Capital expenditure	3,488	-	377	3,865

29. Related Party Transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management.

Balances with related parties included in the consolidated statement of financial position are as follows:

31 December 2019:

	Major shareholders AED'000	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Cash and balances with banks	**-**	**-**	**1,682**	**1,682**
Islamic financing and investing assets	**-**	**13,606**	**5,682**	**19,288**
Investment deposits	**117,688**	**-**	**941,789**	**1,059,477**
Other liabilities	**118**	**-**	**946**	**1,064**

31 December 2018:

	Major shareholders AED'000	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Cash and balances with banks	-	-	7,265	7,265
Islamic financing and investing assets	-	15,256	8,358	23,614
Investment securities	-	-	7,249	7,249
Investment deposits	117,688	-	941,789	1,059,477
Other assets (note 15)	-	-	703	703
Other liabilities	46	-	821	867

Transactions with related parties included in the statement of income are as follows:

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

29. Related Party Transactions (continue)

31 December 2019:

	Major shareholders AED'000	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Income from Islamic financing and investing assets	-	372	285	657
Distributions to financiers / investors	2,459	-	19,677	22,136

31 December 2018:

	Major shareholders AED'000	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Income from Islamic financing and investing assets	-	545	418	963
Distributions to financiers / investors	2,403	-	19,231	21,634

Compensation of key management personnel

The compensation paid to key management personnel of the Group is as follows:

	2019 AED'000	*2018 AED'000*
Salaries and other benefits	12,280	14,365
Employee terminal benefits	283	1,872
	12,563	16,237

Directors' remuneration during the year ended 31 December 2019 has been disclosed in note 30(b).

30. Commitments And Contingencies

Commitments

	Notes	*2019 AED'000*	*2018 AED'000*
Irrevocable commitments to advance financing	30.1	210,819	290,336
Commitments for advances for investment properties	30.2	-	23,251
Commitments for investment properties	30.3	18,192	65,348
		229,011	378,935

30.1. Credit-related commitments include commitments to extend facilities designed to meet the requirements of the Group's customers. Commitments generally have fixed expiration dates, or other termination clauses, and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

30.2. This represents commitments to property developers or sellers in respect of property purchases.

30.3. This represents commitments to property developers in respect of development of investment property.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

30. Commitments And Contingencies (continued)

Contingencies

a) The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and, based on legal counsel advice received, believes it is less than probable that such actions taken by counter parties would succeed, except for cases against which a provision of AED 1 million (2018: AED 3 million) has been made.

b) As at 31 December 2019, the Group had a contingent liability for proposed Directors' remuneration of AED 1.12 million (2018: AED Nil). Directors' remuneration, which is governed by UAE Federal Law No (2) of 2015, of AED 1.16 million (2018: AED 2.25 million) was approved at Annual General Meeting (AGM) on 10 April 2019 and was paid during the year ended 31 December 2019.

c) The developer against which the Group commenced arbitration in 2013 and got the award as detailed in note 11 has in turn also filed an arbitration case against the Group during the year ended 31 December 2017 amounting to AED 669 million to recover purported losses. Based on the advice received from a third party legal counsel, the Group has concluded it is unlikely that the counterparty will be successful with this action.

31. Risk Management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement, mitigation and monitoring subject to risk limits and other controls. This process of risk management is critical to the Group's sustainability. The Group is exposed to credit risk, liquidity risk, market risk and operational risks.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organizational structure it employs in seeking to manage them strategically in its attempt to build stakeholder's value are outlined below.

The Board of Directors ("Board") is responsible for the continuous review and approval of the Group's Enterprise Risk Management Policies. The Board reviews the Group's Risk Profile to ensure that it is within the Group's Risk Policies and appetite parameters. It delegates authority to senior management to conduct day-to-day business within the prescribed policy and strategy parameters, whilst ensuring that processes and controls are adequate to manage the Group's Risk Policies and Strategy.

Executive Management is responsible for implementing the Group's Risk Strategy and Policy guidelines as set by the Board including the identification and evaluation on a continuous basis of all significant risks to the business and the design and implementation of appropriate internal controls to minimise them. This is done through the following senior management committees:

The Board Audit Committee is responsible to the Board for ensuring that the Group maintains an effective system of financial, accounting and risk management controls and for monitoring compliance with the requirements of the regulatory authorities.

The Group's Fatwa and Sharia Supervisory Board is responsible to review the operational, financing and investing activities of the Group ensuring their alignment and compliance with the principles of Sharia. Being a supervisory board they are also required to audit the business activities undertaken and present an independent report to the shareholders. Fatwas and ongoing pronouncements issued by Fatwa and Sharia Supervisory Board are coordinated and implemented by the management of the Group. The management of the Group seeks guidance from the Fatwa and Sharia Supervisory Board for the implementation of its Fatwas and pronouncements.

Credit department is responsible for portfolio management and evaluation, credit policy and procedure formulation, counterparty analysis, approval/review and exposure reporting, control and risk-related regulatory compliance, dealing with impaired assets and portfolio management.

30. Commitments And Contingencies (continued)

The Asset and Liability Committee (ALCO) is chiefly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocation prudently for the achievement of the Group's strategic goals. ALCO monitors the Group's liquidity and market risks and the Group's risk profile in the context of economic developments and market fluctuations, to ensure that the Group's ongoing activities are compatible with the risk/reward guidelines approved by the Board.

Enterprise Risk Management (ERM) is responsible for managing risks within the Group. The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur. It is also responsible for identifying market and operational risks arising from the Group's activities, recommending to the relevant committees appropriate policies and procedures for managing exposure to such risks and establishing the systems necessary to implement effective controls.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular nationality, industry or geographical location. The Group's risk is mainly related to the property market in the UAE, in particular in Dubai.

In order to avoid further excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on counter party limits and maintaining a diversified portfolio. Identified concentration of credit risks are controlled and managed accordingly. ERM monitors the concentration risk on monthly basis and reports to Board Risk Committee (BRC).

Credit risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk stems mainly from day to day Islamic financing activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, policies and procedures. For details of composition of Islamic financing assets refer note 9.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties. The Group has built and maintains a sound receivable portfolio in terms of a well-defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its financing activities and ensuring quality of asset portfolio. Special attention is paid to the management of non-performing financing assets.

The Group constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by individuals, group and industry and consequently, the credit portfolio is well diversified sectorally and by nationalities, with no significant concentration.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

30. Commitments And Contingencies (continued)

Credit risk (continued)

The Group provides Ijara financing, as evident from the portfolio composition, which entails the ownership of the property with the Group till clearance of all rental payments due. This results in collateralisation of the finance amount (fixed rentals). The Group's customers are mainly based in the United Arab Emirates.

Credit risk measurement

The estimation of credit risk for risk management purpose is complex and requires use of models, as the exposure varies with changes in market condition, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk using PD, EAD and LGD. This is similar to the approach used for the purpose of measuring ECL under IFRS 9.

ECL measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit-quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition date is classified in stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to stage 3.
- Financial instrument in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months.
- Instruments in stages 2 or 3 have their ECL measured based on a lifetime basis. ECL is measured after factoring forward-looking information. ECL on purchase or originated credit-impaired financial assets is measured on a lifetime basis.

Significant increase in credit risk

The Company uses the many indicators to identify any significant increases in credit risk (SICR). The occurrence of any one of those indicators should be considered as an indicator of SICR and consequently the related financial instrument will be classified as Stage 2 and attract a lifetime ECL. Following are key indicators

- Internally set scorecard
- Customer delinquency status
- Watch list status
- Probability of default
- Restructured status of the customers
- Regulatory guidance

Backward transition

Back ward transition from stage 2 to stage 1

The Group continues to monitor such financial instruments for a minimum cooling period of 12 months to confirm if the risk of default has decreased on the basis of meeting certain criteria, sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12 months ECL (Stage 1)

The Group is observing a probationary period of a minimum of 3 instalments (for repayments which are on a quarterly basis or shorter) and 12 months (in cases where instalments are on a longer frequency than quarterly) after the restructuring, before upgrading from Stage 3 to 2.

Back ward transition from stage 3 to stage 2

The Group monitors that underlying facility have become regular, is current and no longer meets the definition of credit impaired or is in default before it is reclassified back from stage 3. Any upgrading of non-performing exposure to a performing status is subject to a cooling off period of 12 months from the date of becoming regular in repayment. Any facility classified in Stage 3 cannot be directly classified in Stage 1 and should meet the backward transition criteria for Stage 2 to Stage 1 as documented above.

30. Commitments And Contingencies (continued)

Forward-looking information incorporated in the ECL model

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio.

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecast of these economic variables (the "base economic scenario") are provided by the Group's Risk team on a quarterly basis.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Quantitative Information

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure 2019 AED'000	*Gross maximum exposure 2018 AED'000*
Balances with banks (note 8)	**183,055**	255,928
Islamic financing and investing assets (note 9**)**	**2,434,858**	2,703,850
Advances for investment properties (note 11)	**-**	176,037
Other assets (excluding prepayments) (note 15)	**58,998**	63,555
Total credit risk exposure	**2,676,911**	3,199,370

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

31. Risk Management (Continued)

Credit risk (continued)

31 December 2019

	Neither impaired nor past due on reporting date				*Past due but not impaired on reporting date*				*Individually impaired on reporting date*		
	Carrying amount AED'000	***Low/fair risk AED'000***	***Watch list AED'000***	***Re-negotiated terms AED'000***	***<30 AED'000***	***30-60 AED'000***	***61-90 days AED'000***	***>90 days AED'000***	***Carrying amount AED'000***	***Allowance for impairment AED'000***	***Gross amount AED'000***
Balances with banks	**183,055**	**183,055**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Islamic financing and investing assets	**2,434,858**	**1,169,432**	**-**	**213,344**	**299,830**	**161,723**	**83,878**	**139,670**	**366,981**	**(286,224)**	**653,205**
Advances for investment properties	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(292,782)**	**292,782**
Other assets (excluding prepayments)	**58,998**	**47,382**	**6,030**	**-**	**-**	**-**	**-**	**-**	**6,000**	**(31,486)**	**37,486**
	2,676,911	**1,399,869**	**6,030**	**213,344**	**299,830**	**161,723**	**83,878**	**139,670**	**372,981**	**(610,492)**	**983,473**

31 December 2018

	Neither impaired nor past due on reporting date				*Past due but not impaired on reporting date*				*Individually impaired on reporting date*		
	Carrying amount AED'000	***Low/fair risk AED'000***	***Watch list AED'000***	***Re-negotiated terms AED'000***	***<30 AED'000***	***30-60 AED'000***	***61-90 days AED'000***	***>90 days AED'000***	***Carrying amount AED'000***	***Allowance for impairment AED'000***	***Gross amount AED'000***
Balances with banks	255,928	255,928	-	-	-	-	-	-	-	-	-
Islamic financing and investing assets	2,703,850	1,477,927	12,853	178,226	382,177	118,495	62,955	145,272	325,945	(274,646)*	600,591
Advances for investment properties	176,037	-	146,000	-	-	-	-	-	30,037	(8,582)	38,619
Other assets (excluding prepayments)	63,555	37,233	20,322	-	-	-	-	-	6,000	(32,955)	38,955
	3,199,370	1,771,088	179,175	178,226	382,177	118,495	62,955	145,272	361,982	(316,183)	678,165

* In addition to the stage 3 / specific provision as above, the Group has also made provisions on other portfolio falling under stage 1, stage 2 and individually assessed projects amounting to AED 204.53 million (31 December 2018: 210.53 million).

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

31. Risk Management (Continued)

Collateral and other credit enhancements

The finance provided by the Group is completely asset backed in accordance with the principles of Shariah. Properties are funded based on the "Group's Appraised Value". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. In the case of older properties the appraised value is based on the valuation report from independent third party valuers obtained on regular basis.

Property insurance is mandatory and the property is insured against all normal risks for the value stated in the sale agreement, or the valuation amount given by the surveyor, as the case maybe. The insured value is maintained at the original property value through the life of the finance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group has established risk management policies and limits within which exposure to market risk is monitored, measured and controlled with strategic oversight exercised by the Board and ALCO. These units are responsible for developing and implementing market risk policies and risk measuring/monitoring methodologies and for reviewing all new trading products and product limits.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the UAE Dirham and Saudi Riyal are pegged to the US Dollar, these balances are not considered to represent significant currency risk.

	2019			*2018*		
	% Change in currency rate in AED	*Effect on profit AED '000*	*Effect on Equity AED'000*	*% Change in currency rate in AED*	*Effect on Profit AED '000*	*Effect on Equity AED '000*
Currency						
Egyptian Pound (LEY)	∓ **5%**	∓ **99**	∓ **11,203**	∓ 5%	∓ 18	∓ 9,649

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. In the Group's financial statements, mainly two line items can lead to such exposure i.e. Islamic financing assets and financing obligations, as shown on the assets and liabilities sides respectively. The profit rate risk for the Group is minimal in the short term period. The profit rate for financing assets is a composition of EIBOR and internal spread which can be expected to fluctuate frequently based on EIBOR movement. The Group reviews the profit rate on a regular basis during its ALCO meeting and, if required, recommends a rate change based on market conditions and competitiveness.

31. Risk Management (Continued)

Profit rate risk (continued)

The financing obligations, are contractually fixed/capped rate contracts as determined on contract initiation. Any rate change has no impact for already entered arrangements.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, on the Group's statement of income.

The sensitivity of the statement of income is the effect of the assumed changes in profit rates on the results for one year, based on profit bearing financial assets and financial liabilities held at 31 December 2019.

	2019 AED '000	2018 AED '000
Effect of a ∓ 50 bps change in EIBOR	∓ 12,271	∓ 14,106
Effect of a ∓ 100 bps change in EIBOR	∓ 24,543	∓ 28,213

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure that arises from the Group's investment portfolio includes insignificant unquoted equities.

Early settlement risk

Early settlement risk is the risk that the Group will incur a financial loss because its counterparties settle earlier than expected.

The Group does not have any significant early settlement risk as the amount recovered in case of early settlement is more than the carrying value of the asset on early settlement date, by retaining an amount of deferred profit or adding a margin to the sale price of the Ijarah asset as an early settlement gain. The collection team monitors the customer receivable position on a daily basis.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities and off balance sheet commitments based on contractual undiscounted payment obligations. Payments, which are subjected to notice, are treated as if notice were to be given immediately.

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

At 31 December 2019

		Up to 1 year							
	Expected Profit rate %	*Less than 3 months AED'000*	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Investment deposits and other Islamic financing	2% - 4%	**93,196**	**92,133**	**158,349**	**343,678**	**2,719,695**	**2,150,079**	**-**	**5,213,452**
Term Islamic financing	1% - 21%	**6,652**	**6,244**	**12,214**	**25,110**	**56,508**	**55,907**	**-**	**137,525**
		99,848	**98,377**	**170,563**	**368,788**	**2,776,203**	**2,205,986**	**-**	**5,350,977**
OFF BALANCE SHEET ITEMS									
Commitments		**52,484**	**31,313**	**144,330**	**228,127**	**884**	**-**	**-**	**229,011**

At 31 December 2018	*Up to 1 year*								
	Expected Profit rate %	*Total Less than 3 months AED'000*	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Investment deposits and other Islamic financing	2% - 4%	210,567	233,268	462,148	905,983	2,551,908	1,666,263	-	5,124,154
Term Islamic financing	1% - 21%	4,104	7,354	8,782	20,240	82,146	25,621	-	128,007
		214,671	240,622	470,930	926,223	2,634,054	1,691,884	-	5,252,161
OFF BALANCE SHEET ITEMS									
Commitments		281,276	380	2,262	283,918	95,017	-	-	378,935

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and off balance sheet items analysed according to when they are expected to be recovered, settled or sold. The values presented in this table include the impact of fair value adjustment as per the statement of financial position and excludes profit not yet due at year end.

31 December 2019

	Up to 1 year			Total				
	Less than 3 months	*3 months to 6 months*	*6 months to 1 year*	*up to 1 year*	*1 year to 5 years*	*Over 5 years*	*Items with no maturity*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Assets								
Cash and balances with banks	**58,111**	**23,245**	**-**	**81,356**	**66,759**	**-**	**35,000**	**183,115**
Islamic financing and investing assets	**280,322**	**47,119**	**102,025**	**429,466**	**554,662**	**1,450,730**	**-**	**2,434,858**
Investment securities	**-**	**-**	**-**	**7,769**		**-**	**-**	**7,769**
Investment properties	**82,108**	**82,108**	**164,217**	**328,433**	**1,708,711**	**282,650**	**-**	**2,319,794**
Investment in an associate	**-**	**-**	**-**	**-**	**288,946**	**-**	**-**	**288,946**
Other assets	**35,062**	**24,038**	**2,862**	**61,962**		**--**	**-**	**61,962**
Furniture, fixture and office equipment	**-**	**-**	**-**	**-**	**-**	**-**	**10,848**	**10,848**
Total assets	**455,603**	**176,510**	**269,104**	**901,217**	**2,626,847**	**1,733,380**	**45,848**	**5,307,292**
Liabilities								
Investment deposits and other Islamic financing	**70,437**	**70,437**	**23,479**	**164,353**	**2,942,505**	**949,257**		**-4,056,115**
Term Islamic financing	**4,657**	**4,332**	**8,540**	**17,529**	**41,625**	**55,908**	**-**	**115,062**
Employees' end of service benefits	**-**	**-**	**-**	**-**	**-**	**-**	**4,108**	**4,108**
Other liabilities	**121,059**	**23,174**	**22,741**	**166,974**	**2,002**	**154,314**		**-323,290**
Total liabilities	**196,153**	**97,943**	**54,760**	**348,856**	**2,986,132**	**1,159,479**	**4,108**	**4,498,575**
Commitments	**52,484**	**31,313**	**144,330**	**228,127**	**884**	**-**	**-**	**229,011**
Net liquidity gap	**206,966**	**47,254**	**70,014**	**324,234**	**(360,169)**	**573,901**	**41,740**	**579,706**
Cumulative net liquidity gap	**206,966**	**254,220**	**324,234**	**324,234**	**(35,935)**	**537,966**	**579,706**	**579,706**

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

The liquidity risk table above

Maturity analysis of assets and liabilities (continued)

31 December 2018

	Up to 1 year			Total				
	Less than 3 months	*3 months to 6 months*	*6 months to 1 year*	*up to 1 year*	*1 year to 5 years*	*Over 5 years*	*Items with no maturity*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Assets								
Cash and balances with banks	87,086	-	-	87,086	133,901	-	35,000	255,987
Islamic financing and investing assets	338,343	87,992	205,917	632,252	521,766	1,549,832	-	2,703,850
Investment securities	-	-	-	-	-	-	7,714	7,714
Advance for investment properties	-	-	-	-	30,037	146,000	-	176,037
Investment properties	-	-	250,780	250,780	1,045,339	692,952	-	1,989,071
Properties under development	-	-	-	-	230,845	-	-	230,845
Investment in an associate	-	86,702	-	86,702	-	202,303	-	289,005
Other assets	39,821	17,462	1,688	58,971	8,346	-	-	67,317
Furniture, fixture and office equipment	-	-	-	-	-	-	17,214	17,214
Total assets	465,250	192,156	458,385	1,115,791	1,970,234	2,591,087	59,928	5,737,040
Liabilities								
Investment deposits and other Islamic financing	157,297	361,552	518,849	1,884,851	1,814,325	-	4,218,025	
Term Islamic financing	2,347	5,654	5,654	13,655	33,850	64,180	-	111,685
Employees' end of service benefits	-	-	-	-	-	-	4,398	4,398
Other liabilities	101,467	2,278	3,044	106,789	30,946	154,314	-	292,049
Total liabilities	103,814	165,229	370,250	639,293	1,949,647	2,032,819	4,398	4,626,157
Commitments	281,276	380	2,262	283,918	95,017	-	-	378,935
Net liquidity gap	80,160	26,547	85,873	192,580	(74,430)	558,268	55,530	731,948
Cumulative net liquidity gap	80,160	106,707	192,580	192,580	118,150	676,418	731,948	731,948

Notes to the Consolidated Financial Statements

At 31 December 2019 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

As discussed in note 2 to the consolidated financial statements management has proposed a revised business plan and Group will seek all formal and necessary approvals to execute the plan. Post execution of the plan the Group will be able to continue to meet its commitments for the foreseeable future without any significant liquidity mismatch.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Capital Management

The primary objective of the Group's capital management is to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The restructuring effected at 25 November 2014 represented a significant change in the capital structure of the Group. Capital comprises share capital, treasury shares, statutory reserve, general reserve, special reserve, cumulative changes in fair value, foreign currency translation reserve, Mudaraba Instrument, Mudaraba Instrument reserve and accumulated losses and is measured at AED 0.7 million as at 31 December 2019 (31 December 2018: AED 1,004 million).

Fair value of financial assets and liabilities

The fair values of the Group's financial assets and liabilities at the reporting date approximate their carrying values as reflected in these financial statements.

32. Restatement Of Prior Year's "Comparitives" Figures

In accordance with the requirements of IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the below-mentioned "comparative" numbers for the year ended 31 December 2018 have been restated.

	As previously Reported AED'000	Restatements AED'000	**As restated AED'000**
For the year ended 31 December 2018			
Statement of financial position			
Other Liabilities	284,516	154,314	**438,830**
Accumulated losses	(1,299,719)	(154,314)	**(1,454,033)**

The above Restatements had no effect on the loss reported in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

33. Reclassification

Certain prior year figures have been reclassified to make current year presentation in line with audited financial statements for the year ended 31 December 2019.

34. Social Contributions

The Company pursues a Corporate Social Responsibility strategy and is formally registered with the Dubai Chamber of Commerce and Industry (DCCI) for Dubai Chamber CSR Label program. The Company has made social contributions mainly to Al Noor Centre for Children with special needs and Rashid Centre for disabled towards humanitarian activities during the year.