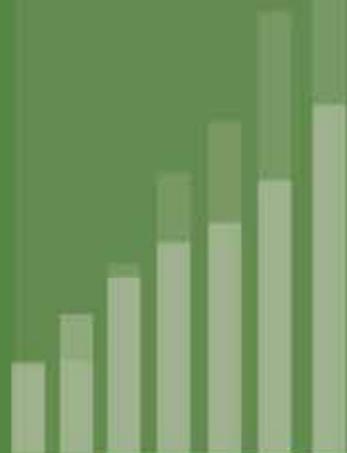


2015
2014
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2013
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Annual Report

AMLAK FINANCE PJSC



2014





His Highness Sheikh Khalifa Bin Zayed Al Nahyan
President of the United Arab Emirates

Ruler of Abu Dhabi





His Highness Sheikh Mohammed Bin Rashid Al Maktoum

UAE Prime Minister & Vice President

Ruler of Dubai



His Highness Sheikh Hamdan Bin Mohammed Bin Rashid Al Maktoum

Crown Prince of Dubai



Our Vision

“ To be a premier and specialized real estate financing institution in the region “



Our Mission :

“ To provide innovative financial solutions and quality services to our customers while maximizing shareholders ‘ value and nurturing our employees “



Board of Directors



Arif Alharmi
Chief executive officer



Ali Ibrahim Ismail
Chairman of the Board



Hesham Abdulla Al Qassim
Board Member



Farooq Mahmood Arjomand
Board Member



Saleh Saeed Lootah
Board Member



Essamuddin Hussain Galadari
Board Member



Ahmad Hamdan Bin Dalmook
Board Member





CHAIRMAN'S MESSAGE 2014

Dear Shareholders,

The year 2014 represents a significant turning point for Amlak Finance. Firstly, we achieved profits for our shareholders, marking a positive turnaround in our business. Secondly we closed a long and complex financial restructuring amicably with our financiers under the guidance, and with the valuable support, of the UAE Government and the Committee to Assess the Condition of Some Public Shareholding Companies of the UAE. Both achievements create the platform for our sustainable growth.

Our ability to achieve profits was made possible by the strategy of prudence and austerity, which we have followed over the last few years. We undertook many initiatives to control costs and protect the quality of assets of the company in view of the diminishing business activity. Due to the liquidity support we received from the UAE Government at the time of financial crisis, we refrained from writing any new business until the completion of a successful restructuring which brought stability to the company's operations.

With the completion of the restructuring in November 2014, Amlak is now well placed to resume normal business operations and work towards creating future value for our shareholders once again.

The Net Profit of AED 59 million attributable to its shareholders recorded for the year ended 31 December 2014 is a tribute to the tremendous work the entire Amlak Finance team has done in recovering from the impact of the financial crisis. We are confident that we will continue to generate annual profits, and intend to put Amlak back into a leadership position as a premier and specialized property financing provider.

We aim to have Amlak's shares re-admitted to the Dubai Financial Markets for restart of trading in May 2015, after all regulatory approvals have been fulfilled.

I take this opportunity to express my sincere gratitude to the Government of UAE which helped us steer the company out of the financial crisis throughout a very challenging period, and I would like to thank the board of directors and the management and staff of Amlak for their hard work and dedication during the past six years, and I extend my thanks to all our shareholders for their continued patience and confidence in the Board.

Ali Ibrahim Ismail

Chairman of the Board



CEO MESSAGE 2014



Dear Shareholders,

I am very pleased that amlak has successfully emerged from its financial restructuring, which was completed in november 2014, and is now poised to return to market in full earnest.

There is no doubt that we have faced many challenges in the last few years, but i was confident that with the invaluable guidance of our board of directors and Immense support given to us by the committee to assess the condition of some public shareholding companies of the uae, amlak would successfully complete its financial restructuring achieving an amicable and balanced solution for all its Stakeholders.

We have, in the past six years, taken firm actions to bring liquidity and costs under management, all whilst ensuring we don't detract from our goal of meeting our customers' expectations particularly in view of our payment commitments towards under-construction projects.

As part of our 2014 restructuring, amlak had to record certain impairments on its real estate investment portfolio, part of which was allocated to the financiers through a mudarabah instrument and restructure the short term facilities into a 12-year facility. As part of the deal, an appropriate security package was also granted to the Financiers.

To date we have managed to pay over aed 2.8 Billion to our financiers under the Restructuring package and will be working hard over the restructuring period to bring full value recovery to all the real estate assets to be able to fully repay our Financiers and liquidity support providers.

The success of our balance sheet restructuring has brought stability to our future operations allowing better strategic and business planning for growth. We have also achieved good profit for our shareholders and aim to continue a positive trend in the years to come.

Our net results attributable to equity holders of the parent company, show a profit of aed 59 million. Our total balance sheet size has decreased to aed 7.3 billion reflecting an amortizing mortgage portfolio over the past few years and the restructuring adjustments in 2014 which is in full compliance with IFRS and finance company regulations. Our equity Position and Gearing ratio are healthy and meet regulatory requirements.

With the positive outlook on the UAE economy and Dubai real estate market, amlak will strategically position itself as a specialized real estate property financier, bringing a host of new products and value added services to our existing and new customers.

I take this opportunity to express my immense gratitude to our Board of Directors and the UAE Government for their guidance and support and to all amlak staff for their dedication and hard work, through out these challenging years.

I also wish to thank our loyal valued customers for their support and, of course, our esteemed shareholders for their continuing patience over the past six years.

Arif Alharmi
CEO





Fatwa and Shari'a Supervisory Board's Report Presented to the Annual General Meeting of Amlak Finance PJSC. Dubai U.A.E. For the Financial Year ended on 31st December 2014.



First: Company Activities

- ▶ The Fatwa & Sharia Supervisory (the "Board") has supervised Amlak's activities & transactions during the year and carried out its role in directing the Company to comply with principles of Sharia and the Board's Fatwas in these activities and transactions of the Company.

Second: Fatwa & pronouncements

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

Third: Company's Contracts

The Board has reviewed the contracts and agreements presented thereto during the year and therefore conducted the necessary amendments and approved them.

Fourth: Sharia Audit

The Board has examined the company's books and records and documents and received data and information, which saw the need to get them to perform the oversight function and forensic audit.

The Board has reviewed the Sharia Audit Report prepared by Dar Al Sharia Legal & Financial Consultancy on the executed transactions and sent the relevant observations to the company.

Fifth: Training

The Board confirms its recommendation for the company to continue the appropriate Training of their employees on the new models of transactions and Sharia contracts.

Sixth: Restructuring & Financial Statements

- 1- The financing obtained by the Company was restructured during the year 2014 in accordance with the structure and documentation approved by the Board.
- 2- The Board has reviewed the Company's financial statements however the accuracy of the figures and information provided is the responsibility of the Company's Management.

- 3- As per the article 62 of the Articles of Association of the company and based on Islamic Shari'a principles, the Sharia Board has reviewed the Zakat calculation of the retained shareholder's funds available with the company. As for the share capital Zakat due; the responsibility to pay it relies on the shareholders themselves.

While the Board confirms that the responsibility for the implementation of the Sharia principles in all the Company's activities & transactions are basically that of the Company's Management, the Board would state that, within the cases presented to it, the transactions reviewed by it and the comments advised in its regard along with the Company's Management response to perform these comments, the Company's transactions executed during the year in whole do not breach the principles of Shari'a.

Dr. Hussain Hamed Hassan

Chairman, Fatwa and Sharia Supervisory Board





REPORT OF THE DIRECTORS

The Directors present their report and consolidated financial statements for the year ended 31 December 2014.



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.



RESTRUCTURING UPDATES

During the year 2014, the Group has achieved a major milestone by successful completion of restructuring its "Investment deposits and other Islamic financing" as stated in the notes to attached consolidated financial statements.



RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the attached consolidated financial statements.



AUDITORS

Ernst & Young have indicated their willingness to continue as auditors of the Company in 2015 and offer themselves for re-appointment.

Signed on behalf of the Board of Directors

February 2015
Dubai, United Arab Emirates



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying 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 2014 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the applicable provisions of the Articles and Memorandum of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The Group's accounting policy is to carry investment properties and advances for investment properties at their fair values reflecting the market conditions at the reporting date. Over the period 2009 to 2014, with respect to the majority of investment properties and advances for investment properties held by the Group, no adjustments were recorded against the carrying value of these assets despite a management expectation that property prices had changed significantly over the period. Our audit reports and review conclusions over the same period were qualified for this noncompliance with the Group's accounting policy.

As at 31 December 2014, all investment properties and advances for investment properties have been stated at fair value in the consolidated statement of financial position giving rise to a charge to the consolidated statement of income in the period of AED 2,115 million representing movements in fair value for the period 2009 to 2014. Part of the movement in fair value recorded in the current period of AED 2,115 million relates to previously unrecorded movements in fair value for the period between 2009 to 2013. As fair value movements for these periods have not been provided to us, we were unable to determine the amount of fair value gain/loss relating to prior periods. This matter has been highlighted in notes 11 and 12 to the consolidated financial statements.



Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

We also confirm that, in our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph and note 2.1 of the consolidated financial statements:

- i) The consolidated financial statements include, in all material respects, the applicable requirements of the Articles and Memorandum of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended);
- ii) Proper books of account have been kept by the Company, and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account;
- iii) We have obtained all the information and explanations, which we required for the purpose of our audit; and
- iv) To the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), or of the Articles and Memorandum of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Signed by
Anthony O'Sullivan
Partner
Registration No. 687

5 February 2015

Dubai, United Arab Emirates

Consolidated statement of Income for the year ended 31 December 2014

	2014 AED'000	2013 AED'000
Income from Islamic financing and investing assets	368,128	406,572
Fee income	8,471	27,897
Income on deposits	4,556	6,428
Rental income	34,021	24,285
Other income	13,846	20,694
Fair value loss on investment properties	<u>(2,114,599)</u> (1,685,577)	<u>(140,849)</u> 345,027
Reversal of impairment / (impairment) on:		—
- Islamic financing and investing assets	76,528	48,201
- Available-for-sale investments	(2,314)	(4,276)
- Advance against investment properties	-	(8,582)
- Other assets	2,424	(1,625)
- Fair value adjustment on investment deposits and other Islamic financing	886,318	—
- Fair value adjustment on Mudaraba Instrument	1,026,867	—
Operating expenses	(181,216)	(132,174)
Share of results of associates	22,213	16,734
PROFIT BEFORE DISTRIBUTIONS TO FINANCIERS/INVESTORS	<u>145,243</u>	<u>263,305</u>
Distributions to financiers/investors	<u>(230,701)</u>	<u>(215,760)</u>
(LOSS)/PROFIT FOR THE YEAR	<u>(85,458)</u>	<u>47,545</u>
Attributable to:		
Equity holders of the parent	58,858	48,234
Non-controlling interests	<u>(144,316)</u> <u>(85,458)</u>	<u>(689)</u> <u>47,545</u>
Profit per share attributable to equity holders of the parent		
Basic profit per share (AED)	0.040	0.030
Diluted profit per share (AED)	0.035	0.030

Consolidated statement of Comprehensive Income for the year ended 31 December 2014

	2014 AED'000	2013 AED'000
(Loss) / profit for the year	(85,458)	47,545
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net (loss) / profit on available-for-sale investments	<u>(1,891)</u>	<u>3,235</u>
Exchange differences on translation of foreign operations	<u>(12,678)</u>	<u>(48,985)</u>
Other comprehensive income for the year	<u>(14,569)</u>	<u>(45,750)</u>
Total comprehensive income for the year	<u><u>(100,027)</u></u>	<u><u>1,795</u></u>
Attributable to :		
Equity holders of the parent	44,289	2,484
Non-controlling interests	<u>(144,316)</u>	<u>(689)</u>
	<u><u>(100,027)</u></u>	<u><u>1,795</u></u>

Consolidated statement of Financial Position as at 31 December 2014

	2014 AED'000	2013 AED'000
ASSETS		
Cash and balances with banks	497,736	1,388,740
Islamic financing and investing assets	4,264,502	6,271,544
Available-for-sale investments	23,945	28,479
Advances for investment properties	312,036	740,383
Investment properties	1,489,968	3,341,793
Properties under development	363,281	-
Investments in associates	267,831	261,128
Other assets	68,548	62,925
Furniture, fixtures and office equipment	13,924	11,197
TOTAL ASSETS	7,301,771	12,106,189
LIABILITIES AND EQUITY		
Liabilities		
Investment deposits and other Islamic financing	5,270,291	10,205,046
Term Islamic financing	50,935	83,650
Employees' end of service benefits	6,085	5,150
Other liabilities	134,564	138,083
Total liabilities	5,461,875	10,431,929
Equity		
Equity attributable to equity holders of the parent		
Share capital	1,500,000	1,500,000
Employee stock option plan shares	(93,048)	(93,048)
Statutory reserve	117,158	117,158
General reserve	117,158	117,158
Special reserve	99,265	99,265
Mudaraba Instrument	273,133	-
Mudaraba Instrument reserve	1,026,867	-
Cumulative changes in fair value	2,533	4,424
Foreign currency translation reserve	(106,447)	(93,769)
Accumulated losses	(1,237,046)	(261,567)
	1,699,573	1,389,621
Non-controlling interests	140,323	284,639
Total equity	1,839,896	1,674,260
TOTAL LIABILITIES AND EQUITY	7,301,771	12,106,189

Approved by the Board of Directors on 5 February 2015 and signed on its behalf by:

Vice Chairman

Director Chief Executive Officer



