

**Amlak Finance PJSC  
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 MARCH 2015 (UNAUDITED)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC**

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated statement of financial position of Amlak Finance PJSC and its subsidiaries (the 'Group') as of 31 March 2015, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

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

### ***Basis for Qualified Conclusion***

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 2013, with respect to the majority of investment properties and advances for investment properties held by the Group, no adjustments were recorded against the carrying values 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 were stated at fair value in the consolidated statement of financial position giving rise to a charge to the consolidated statement of income for the year then ended of AED 2,115 million, representing movements in fair value for the period 2009 to 2014. As fair value movements for the period 2009 to 2013 were not provided to us, we were unable to determine the split of fair value gain / loss relating to periods prior to 2014 and the fair value gain/loss relating to the comparative period presented for the three month period ended 31 March 2014. This matter has been highlighted in notes 6 and 7 to the condensed consolidated financial statements.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC  
(continued)**

***Conclusion***

Except for the adjustments to the interim condensed consolidated financial statements for the presented comparative period that may be required as a result of the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

*Ernst & Young*

Signed by  
Anthony O'Sullivan  
Partner  
Registration No. 687

13 May 2015

Dubai, United Arab Emirates

# Amlak Finance PJSC and its Subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2015 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2015 AED'000</i>	<i>2014 AED'000</i>
Income from Islamic financing and investing assets		79,916	99,227
Fee income		690	2,085
Income on deposits		730	2,088
Rental income		10,528	7,426
Other income		6,617	5,945
		<u>98,481</u>	<u>116,771</u>
Reversal of impairment / (impairment) on:			
- Islamic financing and investing assets		44	(16,483)
- Available-for-sale investments	5	-	(276)
- Other assets		932	2,334
- Amortisation of initial fair value gain on investment deposits	8	(28,460)	-
Operating expenses		(34,563)	(38,334)
Share of results of associates		6,060	5,915
<b>PROFIT BEFORE DISTRIBUTIONS TO FINANCIERS / INVESTORS</b>		<u>42,494</u>	<u>69,927</u>
Distributions to financiers/investors		(36,404)	(53,561)
<b>PROFIT FOR THE PERIOD</b>		<u>6,090</u>	<u>16,366</u>
Attributable to:			
Equity holders of the parent		3,721	15,877
Non-controlling interests		2,369	489
		<u>6,090</u>	<u>16,366</u>
Profit per share attributable to equity holders of the parent			
Basic profit per share (AED)	3	0.003	0.011
Diluted profit per share (AED)	3	0.001	0.011

The attached notes 1 to 13 form part of these consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2015 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2015 AED'000</i>	<i>2014 AED'000</i>
<b>Profit for the period</b>	<b>6,090</b>	<b>16,366</b>
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(23,281)	(1,771)
<b>Other comprehensive income for the period</b>	<b>(23,281)</b>	<b>(1,771)</b>
<b>Total comprehensive income for the period</b>	<b>(17,191)</b>	<b>14,595</b>
Attributable to:		
Equity holders of the parent	(19,560)	14,106
Non-controlling interests	2,369	489
	<b>(17,191)</b>	<b>14,595</b>

# Amlak Finance PJSC and its Subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015 (Unaudited)

	Notes	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
<b>ASSETS</b>			
Cash and balances with banks	4	345,051	497,736
Islamic financing and investing assets		4,435,535	4,264,502
Available-for-sale investments	5	23,912	23,945
Advances for investment properties	6	312,036	312,036
Investment properties	7	1,477,413	1,489,968
Properties under development		366,044	363,281
Investments in associates		273,891	267,831
Other assets		70,255	68,548
Furniture, fixtures and office equipment		13,119	13,924
<b>TOTAL ASSETS</b>		<b>7,317,256</b>	<b>7,301,771</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Investment deposits and other Islamic financing	8	5,298,751	5,270,291
Term Islamic financing		49,716	50,935
Employees' end of service benefits		6,265	6,085
Other liabilities		140,039	134,564
<b>Total liabilities</b>		<b>5,494,771</b>	<b>5,461,875</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
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	273,133
Mudaraba Instrument reserve		1,026,867	1,026,867
Cumulative changes in fair value		2,533	2,533
Foreign currency translation reserve		(129,728)	(106,447)
Accumulated losses		(1,233,545)	(1,237,046)
		1,679,793	1,699,573
<b>Non-controlling interests</b>		<b>142,692</b>	<b>140,323</b>
<b>Total equity</b>		<b>1,822,485</b>	<b>1,839,896</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,317,256</b>	<b>7,301,771</b>

Approved by the Board of Directors on 13 May 2015 and signed on its behalf by:

  
Director

  
Director

The attached notes 1 to 13 form part of these consolidated financial statements.

# Amlak Finance PJSC and its Subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2015 (Unaudited)

		Three months ended 31 March	
	Note	2015 AED'000	2014 AED'000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		6,090	16,366
Adjustments for:			
Depreciation		1,330	772
Share of results of associates		(6,060)	(5,915)
Proportionate share of results of Joint venture		126	-
Impairment of available-for-sale investments		-	276
Reversal of impairment of other assets		(932)	(2,334)
(Reversal) / impairment on Islamic financing and investing assets		(44)	16,483
Amortisation of fair value adjustment on investment deposits		28,460	-
Distribution to financiers/investors		36,404	53,561
Other income		-	(2,776)
Income on deposits		(730)	(2,088)
Provision for employees' end of service benefits		390	262
		<u>65,034</u>	<u>74,607</u>
Working capital changes:			
Islamic financing and investing assets		169,011	266,516
Other assets		(779)	(7,819)
Other liabilities		5,677	9,634
		<u>238,943</u>	<u>342,938</u>
Cash from operations			
Employees' end of service benefits paid		(210)	(199)
		<u>238,733</u>	<u>342,739</u>
Net cash generated from operating activities			
<b>INVESTING ACTIVITIES</b>			
Proceeds from Wakala deposits		-	282,000
Placement of Wakala deposits		(340,000)	(296,000)
Purchase of furniture, fixtures and office equipment		(567)	(355)
Income on deposits		730	2,088
		<u>(339,837)</u>	<u>(12,267)</u>
Net cash used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Payment of term Islamic financing		(428)	-
Investment deposits and other Islamic financing		(33,389)	(50,793)
Directors' fees paid		(220)	(220)
		<u>(34,037)</u>	<u>(51,013)</u>
Net cash used in financing activities			
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Foreign currency translation reserve		(11,442)	(339)
Cash and cash equivalents at the beginning of the period		292,095	1,353,740
		<u>145,512</u>	<u>1,632,860</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	4		

The attached notes 1 to 13 form part of these consolidated financial statements.

# Amlak Finance PJSC and its Subsidiaries

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2015(Unaudited)

	Attributable to the equity holders of the parent												
	Share capital AED '000	Employee stock option plan shares AED '000	Statutory reserve AED '000	General reserve AED '000	Special reserve AED '000	Mudaraba Instrument AED '000	Mudaraba Instrument 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 interests AED '000	Total equity AED '000
At 1 January 2015	1,500,000	(93,048)	117,158	117,158	99,265	273,133	1,026,867	2,533	(106,447)	(1,237,046)	1,699,573	140,323	1,839,896
Profit for the period	-	-	-	-	-	-	-	-	-	3,721	3,721	2,369	6,090
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(23,281)	-	(23,281)	-	(23,281)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(23,281)	3,721	(19,560)	2,369	(17,191)
Directors' fee paid (note 11)	-	-	-	-	-	-	-	-	-	(220)	(220)	-	(220)
At 31 March 2015	1,500,000	(93,048)	117,158	117,158	99,265	273,133	1,026,867	2,533	(129,728)	(1,233,545)	1,679,793	142,692	1,822,485

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 31 March 2015(Unaudited)

Attributable to the equity holders of the parent												
	Share capital AED '000	Employee stock option plan shares AED '000	Statutory reserve AED '000	General reserve AED '000	Special reserve AED '000	Mudaraba Instrument AED '000	Mudaraba Instrument reserve AED '000	Cumulative changes in fair value AED '000	Foreign currency translation reserve AED '000	Accumulated losses AED '000	Non-controlling interests AED '000	Total equity AED '000
At 1 January 2014	1,500,000	(93,048)	117,158	117,158	99,265	-	-	4,424	(93,769)	(261,567)	284,639	1,674,260
Profit for the period	-	-	-	-	-	-	-	-	-	15,877	489	16,366
Other comprehensive income	-	-	-	-	-	-	-	-	(1,771)	-	-	(1,771)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(1,771)	15,877	489	14,595
Directors' fees paid	-	-	-	-	-	-	-	-	-	(220)	-	(220)
At 31 March 2014	1,500,000	(93,048)	117,158	117,158	99,265	-	-	4,424	(95,540)	(245,910)	285,128	1,688,635

## Amlak Finance PJSC and its Subsidiaries

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

#### 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 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.

Trading in the Company's shares on the Dubai Financial Market ("DFM") has been suspended since 2008 and the Company is in the process of re-admission of its shares to trading on DFM.

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

#### 2 ACCOUNTING POLICIES

##### 2.1 BASIS OF PREPARATION

A restructuring package under the supervision of the Steering Committee was developed within the principles of Shari'a and agreed with a formally appointed Financier Coordinating Committee ("CoCom"), and presented to all Financiers in June 2014, which received 100% acceptance. The restructuring which was implemented and effective from 25 November 2014, has the following features:

- Prior to restructuring, the Company had AED 10.2 billion of investment deposits with an expected profit rate in the range of 1.75% - 4% per annum.
- Cash injected by the liquidity support providers amounting to AED 1.7 billion previously having a maturity of 3 months, will be payable over 6 years in equal monthly installments with a profit rate of 4% per annum.
- Other Commercial Deposits of AED 8.5 billion previously having a maturity of 0-3 months were restructured as follows:
  - a) AED 1.7 billion (representing 20%), was repaid in August 2014;
  - b) AED 5.5 billion (representing 65%), is payable over 12 years in monthly installments with a profit rate of 2% per annum; and
  - c) AED 1.3 billion (representing 15%), was replaced with a Mudaraba Instrument with a maturity period of 12 years and 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. The Mudaraba Instrument to the extent it is not redeemed will convert in upto 1,956 million shares of the Company with a par value of AED 1 each.

Restructured investment deposits and other Islamic financing are secured against assignment and mortgage over the Group's investment properties located in UAE (notes 6 and 7), assignment of insurances, pledge over bank accounts (note 4), 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 financiers.

As part of the restructuring process, shareholders passed resolutions in the extraordinary general assembly meeting 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.

The Company in its AGM held on 16 April 2015 has approved the lifting of suspension on trading of its shares on Dubai Financial Market and authorized the Board of Directors to determine the date for the resumption of share trading expected to occur in May 2015.

## Amlak Finance PJSC and its Subsidiaries

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

#### 2.1 BASIS OF PREPARATION (continued)

The interim condensed consolidated financial statements of the Amlak Finance PJSC and its subsidiaries (the “Group”) are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2014 except for the adoption of the new and amended IFRS and IFRIC interpretations which became effective as of 1 January 2015. The adoption of these standards and interpretations did not have an impact on the financial position or performance of the Group during the current period.

The interim condensed consolidated financial statements do not include all the information or disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2014. In addition, results for the period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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.

#### 2.2 NEW STANDARDS, INTERPRETATION AND AMENDMENTS

##### IASB Standards and Interpretations issued but not yet effective

The Group has not adopted the new accounting standards or interpretations that have been issued but are not yet effective. These standards and interpretations are not likely to have any significant impact on the financial statements of the Group in the period of their initial application.

#### 3 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 31 March</i>	
	<i>2015</i>	<i>2014</i>
Profit for the period attributable to equity holders of the parent (AED’000)	<b>3,721</b>	15,877
Weighted average number of shares for basic EPS (in thousands)	<b>1,475,000</b>	1,475,000
Effect of dilution: Mudaraba Instrument	<b>1,956,000</b>	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<b>3,431,000</b>	1,475,000
Attributable to equity holders of the parent: Basic profit per share (AED)	<b>0.003</b>	0.011
Diluted profit per share (AED)	<b>0.001</b>	0.011

The basic and diluted weighted average numbers of shares were reduced by the purchase of own shares for the proposed employee stock option plan during the year 2008.

# Amlak Finance PJSC and its Subsidiaries

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

### 4 CASH AND BALANCES WITH BANKS

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
Cash on hand	69	60
Balances with banks	131,061	279,812
Deposits with banks	213,921	217,864
	<u>345,051</u>	<u>497,736</u>
Cash and balances with banks	345,051	497,736
Less: Deposits maturing after 1 year	(35,000)	(35,000)
Restricted cash	(164,539)	(170,641)
	<u>145,512</u>	<u>292,095</u>
Cash and cash equivalents	<u>145,512</u>	<u>292,095</u>

Deposits maturing after one year represent AED 35 million (2014: AED 35 million) deposited with a local bank under lien to the Central Bank of UAE in accordance with Central Bank regulations for licensing.

At period end, the Group reported AED 165 million (2014: AED 171 million) of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture.

With effect from the date of restructuring, the Parent and certain of its subsidiaries registered in UAE have pledged their bank accounts in favour of the security agent (note 2.1).

### 5 AVAILABLE FOR SALE INVESTMENTS

	<i>UAE</i>		<i>International</i>		<i>Total</i>	
	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
Equities and Funds	15,000	15,000	8,912	8,945	23,912	23,945

#### 31 March 2015 (Unaudited)

	<i>Total AED'000</i>	<i>Investments carried at fair value</i>		
		<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Equities	8,912	-	-	8,912
Funds	15,000	-	15,000	-
	<u>23,912</u>	<u>-</u>	<u>15,000</u>	<u>8,912</u>

#### 31 December 2014 (Audited)

	<i>Total AED'000</i>	<i>Investments carried at fair value</i>		
		<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>
Equities	8,945	-	-	8,945
Funds	15,000	-	15,000	-
	<u>23,945</u>	<u>-</u>	<u>15,000</u>	<u>8,945</u>

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

# Amlak Finance PJSC and its Subsidiaries

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

### 5 AVAILABLE FOR SALE INVESTMENTS (continued)

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

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Balance at 1 January	8,945	13,479
Net change in fair values	-	(1,891)
Provided during the period / year	-	(2,314)
Redeemed during the period / year	-	(309)
Exchange difference	(33)	(20)
	<u>8,912</u>	<u>8,945</u>

The level 3 fair value above is determined based on the net asset value of the underlying entity and consequently no sensitivity analysis to variation in assumptions is provided.

### 6 ADVANCES FOR INVESTMENT PROPERTIES

	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
At 1 January	312,036	740,383
Transfer to investment properties (note 7)	-	(4,860)
Additions during the period / year	-	1,808
Fair value loss on advances for investment properties	-	(425,295)
	<u>312,036</u>	<u>312,036</u>

This represents the advances paid by the Group towards the acquisition of certain units in under-development real estate projects in Dubai. The Group is in discussions with certain developers to renegotiate contracts, the outcome of which management believes will have no impact on the carrying value of advances for investment properties at period end. The Group has not yet obtained title to the properties and is committed to pay an additional AED 23.25 million (31 December 2014: AED 23.25 million) in accordance with the agreement with the seller of real estate projects.

These advances are carried at fair value. The Group acquired certain properties amounting to AED 707 million which were carried at cost since reclassification to advances for investment properties in 2009. These advances were fair valued as at 31 December 2014 and a fair value loss of AED 425 million was recorded during the year 2014.

The fair values of the advances for investment 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 properties valued. The valuation model used is in accordance with that recommended by the Royal Institute of Chartered Surveyors.

Advances for investment properties are categorised in Level 2 for fair value measurement as they have been derived using the comparable price approach based on comparable transactions for similar property. 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 period.

Significant increases / (decreases) in comparable market value in isolation would result in a significantly higher / (lower) fair value of the properties.

Advances for investment properties include AED 30 million under Istisna with a financial institution carried at cost as there is significant uncertainty over whether the project will be completed by the developer. The associated liability of AED 38 million is also recorded in the financial statements. Under the terms of the Istisna, the Group has no obligation to repay the Istisna finance of the asset until construction is completed and property handed over.

# Amlak Finance PJSC and its Subsidiaries

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

### 7 INVESTMENT PROPERTIES

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 December 2014 AED'000 (Audited)</i>
At 1 January	1,489,968	3,341,793
Transfer from advances for investment properties (note 6)	-	4,860
Foreclosed properties	6,700	172,832
Fair value loss on investment properties	-	(1,689,304)
Transferred to properties under development	-	(330,000)
Foreign exchange fluctuation	(19,255)	(10,213)
	<u>1,477,413</u>	<u>1,489,968</u>

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. During the period from 2009 to 2013 the Group held certain properties amounting to AED 2,942 million which have been carried at cost since acquisition. These investment properties were fair valued as at 31 December 2014 and a fair value loss on these properties of AED 1,761 million was recorded during the year 2014.

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.

Investment properties as at 31 March 2015 include a plot of land in Egypt owned by one of the Group's subsidiaries amounting to AED 283 million (31 December 2014: AED 303 million). All other investment properties are located within the UAE.

Investment properties are categorised in 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 period.

Significant increases / (decreases) in comparable market value in isolation would result in a significantly higher / (lower) fair value of the properties.

As at 31 March 2015, investment properties having fair value of AED 775 million (31 December 2014: AED 775 million) are mortgaged / assigned in favour of the security agent as part of the restructuring (note 2.1).

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 March 2014 AED'000 (Unaudited)</i>
Rental income derived from investment properties	10,528	7,426
Direct operating expenses (including repairs and maintenance) generating rental income	(1,891)	(4,451)
Profit arising from investment properties carried at fair value	<u>8,637</u>	<u>2,975</u>

## Amlak Finance PJSC and its Subsidiaries

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

#### 8 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING

	Profit rate	31 March 2015 AED'000 (Unaudited)	31 December 2014 AED'000 (Audited)
Murabaha	2%	250,340	250,340
Wakala	4%	320,938	320,938
Others	4%	735,625	735,625
Purchase price payable	2%	4,849,706	4,849,706
		<u>6,156,609</u>	<u>6,156,609</u>
Amortised fair value adjustment (note 8.1)		<u>(857,858)</u>	<u>(886,318)</u>
		<u>5,298,751</u>	<u>5,270,291</u>

The payment obligations are secured under the restructuring assignments and pledges as detailed in note 2.1,4,6 and 7.

##### 8.1 Amortised fair value adjustment

	31 March 2015 AED'000 (Unaudited)	31 March 2014 AED'000 (Unaudited)
Fair value gain at initial recognition	911,447	-
Amortisation charged in prior period	(25,129)	-
Amortisation charged for the period	(28,460)	-
	<u>857,858</u>	<u>-</u>

The nature of the Company's deposits was significantly changed due to the restructuring, 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 period end is AED 6,157 million (31 December 2014: 6,157 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 2014 was AED 25 million giving a residual fair value gain to be amortised of AED 886 million as at 31 December 2014.

Under the terms of the Common Terms Agreement, the Group is required to distribute any cash surplus with the definition of surplus being defined in the terms of the agreement, based on an assessment of the cash position of the Group every 6 months. The first such assessment was performed in December 2014 and gave rise to a repayment of obligation to financiers of AED 944 million representing an advance payment of 22 future monthly scheduled instalments. Consequently, the next repayment of deposit capital is due in October 2016, unless further advance repayments arise under the cash sweep mechanism.

All the directly attributable costs incurred to complete the restructuring are charged to the income statement under operating expenses.

# Amlak Finance PJSC and its Subsidiaries

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

### 9 SEGMENTAL INFORMATION

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

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 the three months period ended 31 March are as follows:

#### 31 March 2015 (unaudited):

	<i>Retail</i> <i>AED'000</i>	<i>Real Estate</i> <i>Investment</i> <i>AED'000</i>	<i>Corporate</i> <i>Investment &amp;</i> <i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Operating income	85,379	6,810	6,292	98,481
Distribution to financiers/investors	(25,414)	(10,021)	(969)	(36,404)
Amortisation of initial fair value gain	(28,460)	-	-	(28,460)
Reversal / (allowances) for impairment	(842)	2,229	(411)	976
Expenses (including allocated expenses)	(28,569)	(4,111)	(1,883)	(34,563)
Share of results of associates	-	-	6,060	6,060
Segment results	<u>2,094</u>	<u>(5,093)</u>	<u>9,089</u>	<u>6,090</u>
Non-controlling interests				(2,369)
				<u>3,721</u>

#### 31 March 2014 (Unaudited):

	<i>Retail</i> <i>AED'000</i>	<i>Real Estate</i> <i>Investment</i> <i>AED'000</i>	<i>Corporate</i> <i>Investment &amp;</i> <i>Others</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Operating income	108,623	5,767	2,381	116,771
Distribution to financiers/investors	(29,530)	(23,324)	(707)	(53,561)
Reversal / (allowances) for impairment	(13,107)	-	(1,318)	(14,425)
Expenses (including allocated expenses)	(32,476)	(4,156)	(1,702)	(38,334)
Share of results of associates	-	-	5,915	5,915
Segment results	<u>33,510</u>	<u>(21,713)</u>	<u>4,569</u>	<u>16,366</u>
Non controlling interests				(489)
				<u>15,877</u>

## Amlak Finance PJSC and its Subsidiaries

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

#### 9 SEGMENTAL INFORMATION (continued)

##### Segment assets and liabilities:

The following table presents segment assets and liabilities of the Group as at 31 March 2015 and 31 December 2014:

##### 31 March 2015 (Unaudited):

	<i>Retail AED'000</i>	<i>Real estate investment AED'000</i>	<i>Corporate investment &amp; others AED'000</i>	<i>Total AED'000</i>
Segment assets	4,931,355	1,674,004	711,896	7,317,256
Segment liabilities	3,254,391	1,549,208	691,171	5,494,771

##### 31 December 2014 (Audited):

	<i>Retail AED'000</i>	<i>Real estate investment AED'000</i>	<i>Corporate investment &amp; others AED'000</i>	<i>Total AED'000</i>
Segment assets	4,893,962	1,678,739	729,070	7,301,771
Segment liabilities	3,203,003	1,547,421	711,451	5,461,875

Corporate Investment and others includes investment property in Egypt held by "Amlak Finance and Real Estate Investment Company S.A.E" with a carrying value AED 283 million (31 December 2014: AED 303 million).

#### 10 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 interim condensed consolidated statement of financial position are as follows:

##### 31 March 2015 (Unaudited):

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Cash and bank balances	-	-	-	38,050	38,050
Islamic financing and investing assets	-	-	21,530	17,755	39,285
Available for sale investments	-	-	-	15,000	15,000
Investment deposits	-	142,158	-	1,187,440	1,329,598
Other assets	-	-	-	703	703
Other liabilities	-	55	-	2,426	2,481

# Amlak Finance PJSC and its Subsidiaries

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

### 10 RELATED PARTY TRANSACTIONS (continued)

31 December 2014 (Audited):

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Cash and bank balances	-	-	-	53,342	53,342
Islamic financing and investing assets	-	-	23,554	18,261	41,815
Available for sale investments	-	-	-	15,000	15,000
Investment deposits	-	142,158	-	1,187,440	1,329,598
Other assets	195	-	-	704	899
Other liabilities	-	55	100	2,375	2,530

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

31 March 2015 (Unaudited)

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Income from Islamic financing and investing assets	-	-	194	217	411
Distribution to financiers	-	711	-	5,937	6,648

31 March 2014 (Unaudited):

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Income from Islamic financing and investing assets	-	-	230	284	514
Distribution to financiers	-	1,044	-	8,521	9,565

### Compensation of key management personnel

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

	<i>31 March 2015 AED'000 (Unaudited)</i>	<i>31 March 2014 AED'000 (Unaudited)</i>
Salaries and other benefits	5,870	4,990
Employee terminal benefits	100	-
	<u>5,970</u>	<u>4,990</u>

## Amlak Finance PJSC and its Subsidiaries

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

#### 11 COMMITMENTS AND CONTINGENCIES

##### *Commitments*

		<b>31 March 2015 AED'000 (Unaudited)</b>	<b>31 December 2014 AED'000 (Audited)</b>
	<i>Notes</i>		
Irrevocable commitments to advance financing	11.1	<b>235,536</b>	258,967
Commitments for investment properties	11.2	<b>23,251</b>	23,251
Commitments against capital expenditure		-	1,401
		<b>258,787</b>	<b>283,619</b>

11.1 These include credit-related commitments to extend facilities to Group's customers for under construction Ijarah financing.

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

##### *Contingencies*

- 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 5 million has been made in the prior year.
- As at 31 March 2015 the Group had a contingent liability for proposed Directors fees of AED 4.74 million (31 December 2014: AED 4.74 million). Directors fees, which are governed by UAE Federal Law No (8) of 1984, as amended (Article 118) were approved at the AGM on 16 April 2015 and have been paid subsequently.
- During the period, the Group has paid Directors' fees amounting to AED 0.22 million (31 December 2014: 1.16 million) which are subject to ratification at the next Annual General Meeting (AGM).

#### 12 RECLASSIFICATION

Certain prior year figures are reclassified to make current period presentation in line with most recent audited financial statement for the year ended 31 December 2014.

# Amlak Finance PJSC and its Subsidiaries

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

### 13 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 period end. The table also excludes the potential impact of any cash distribution requirements triggered by the cash sweep mechanism under the terms of the Common Terms Agreement.

	Up to 1 year					Total 1 year to 5 years AED'000	Over 5 years AED'000	Items with no maturity AED'000	Total AED'000
	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					
<b>Assets</b>									
Cash and deposits with banks	133,527	11,985	-	145,512	164,539	-	-	35,000	345,051
Islamic financing and investing assets	240,176	76,353	137,951	454,480	1,751,168	2,229,887	-	-	4,435,535
Available-for-sale investments	-	-	-	-	-	-	23,912	23,912	23,912
Advance for investment properties	-	-	-	-	30,036	-	-	282,000	312,036
Investment Properties	-	-	-	-	283,572	1,193,841	-	-	1,477,413
Properties under development	-	-	-	-	366,044	-	-	-	366,044
Investments in associates	-	-	-	-	-	-	273,891	-	273,891
Other assets	41,632	2,718	25,905	70,255	-	-	-	-	70,255
Furniture, fixture and equipment	-	-	-	-	-	-	-	13,119	13,119
<b>Total assets</b>	<b>415,335</b>	<b>91,056</b>	<b>163,856</b>	<b>670,247</b>	<b>2,595,359</b>	<b>3,423,728</b>	<b>627,922</b>		<b>7,317,256</b>
<b>Liabilities</b>									
Investment deposits and other Islamic financing	-	-	-	-	2,517,896	2,780,855	-	-	5,298,751
Term Islamic financing	553	554	982	2,089	46,190	1,437	-	-	49,716
Employees' end of service benefits	-	-	-	-	-	-	6,265	-	6,265
Other liabilities	132,516	5,694	1,052	139,262	-	-	777	-	140,039
<b>Total liabilities</b>	<b>133,069</b>	<b>6,248</b>	<b>2,034</b>	<b>141,351</b>	<b>2,564,086</b>	<b>2,782,292</b>	<b>7,042</b>		<b>5,494,771</b>
<b>Commitments</b>	<b>235,536</b>	<b>-</b>	<b>-</b>	<b>235,536</b>	<b>23,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>258,787</b>
<b>Net liquidity gap</b>	<b>46,730</b>	<b>84,808</b>	<b>161,822</b>	<b>293,360</b>	<b>8,022</b>	<b>641,436</b>	<b>620,880</b>		<b>1,563,698</b>

Ámlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2015 (Unaudited)

13 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

At 31 December 2014 (Audited)	Up to 1 year			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
	Less than 3 months AED'000	3 months to 6 months AED'000	6 months to 1 year AED'000					
Assets								
Cash and deposits with banks	281,854	10,242	-	292,096	170,640	-	35,000	497,736
Islamic financing and investing assets	211,062	101,232	211,320	523,614	1,439,273	2,301,615	-	4,264,502
Available-for-sale investments	-	-	-	-	-	-	23,945	23,945
Advance for Investment Properties	-	-	-	-	30,036	-	282,000	312,036
Investment Properties	-	-	-	-	302,828	1,187,140	-	1,489,968
Properties under Development	-	-	-	-	363,281	-	-	363,281
Investments in associates	-	-	-	-	-	-	267,831	267,831
Other assets	13,806	27,140	27,602	68,548	-	-	-	68,548
Furniture, fixture and equipment	-	-	-	-	-	-	13,924	13,924
Total assets	506,722	138,614	238,922	884,258	2,306,058	3,488,755	622,700	7,301,771
Liabilities								
Investment deposits and other Islamic financing	-	-	-	-	2,371,154	2,899,137	-	5,270,291
Term Islamic financing	457	457	915	1,829	47,705	1,401	-	50,935
Employees' end of service benefits	-	-	-	-	-	-	6,085	6,085
Other liabilities	102,229	6,263	7,918	116,410	-	-	18,154	134,564
Total liabilities	102,686	6,720	8,833	118,239	2,418,859	2,900,538	24,239	5,461,875
Commitments	258,967	-	-	258,967	23,251	-	-	282,218
Net liquidity gap	145,069	131,894	230,089	507,052	(136,052)	588,217	598,461	1,557,678