

**Amlak Finance PJSC
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2016 (UNAUDITED)

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

Introduction

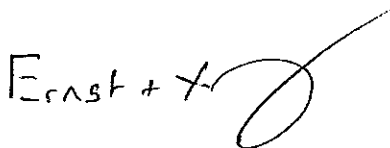
We have reviewed the accompanying interim condensed consolidated statement of financial position of Amlak Finance PJSC and its subsidiaries (the 'Group') as of 30 September 2016, and the related interim condensed consolidated statements of income and comprehensive income for the three and nine months periods then ended and changes in equity and cash flows for the nine 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.

Conclusion

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.



Signed by:
Anthony O'Sullivan
Partner
Registration No.: 687

8 November 2016

Dubai, United Arab Emirates

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2016 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Income from Islamic financing and investing assets		49,744	72,114	150,034	216,897
Fee income		763	2,247	5,160	4,906
Income on deposits		1,985	1,043	5,084	2,878
Rental income		14,471	11,658	41,583	32,631
Sale of properties under development	8	84,146	23,488	395,888	44,290
Other income		1,599	3,242	6,542	16,149
		<u>152,708</u>	<u>113,792</u>	<u>604,291</u>	<u>317,751</u>
(Impairment) / reversal of impairment on:					
- Islamic financing and investing assets		(5,263)	40,183	(35,615)	74,764
- Other assets		275	(757)	905	(1,000)
- Amortisation of initial fair value gain on investment deposits	9	(26,104)	(19,935)	(83,673)	(99,821)
Operating expenses		(47,292)	(37,844)	(131,962)	(109,172)
Cost of sale of properties under development	8	(42,839)	(11,195)	(184,077)	(21,006)
Share of results of associate		7,078	6,736	20,887	17,532
PROFIT BEFORE DISTRIBUTION TO FINANCIERS / INVESTORS		38,563	90,980	190,756	179,048
Distribution to financiers / investors		(31,848)	(34,326)	(96,603)	(107,771)
PROFIT FOR THE PERIOD		<u>6,715</u>	<u>56,654</u>	<u>94,153</u>	<u>71,277</u>
Attributable to:					
Equity holders of the parent		5,679	55,462	91,059	66,356
Non controlling interests		1,036	1,192	3,094	4,921
		<u>6,715</u>	<u>56,654</u>	<u>94,153</u>	<u>71,277</u>
Earnings per share attributable to:					
Equity holders of the Parent:					
Basic profit per share (AED)	3	0.004	0.038	0.061	0.041
Diluted profit per share (AED)	3	0.002	0.017	0.029	0.018

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2016 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016 AED'000</i>	<i>2015 AED'000</i>	<i>2016 AED'000</i>	<i>2015 AED'000</i>
Profit for the period	6,715	56,654	94,153	71,277
Other comprehensive income				
<i>Items that would be reclassified to profit / (loss) in subsequent periods:</i>				
Realised gain on disposal of available-for-sale investment transferred to statement of income	-	-	(2,100)	-
Exchange differences on translation of foreign operations	1,778	(7,047)	(38,284)	(31,482)
Other comprehensive income for the period	1,778	(7,047)	(40,384)	(31,482)
Total comprehensive income for the period	8,493	49,607	53,769	39,795
Attributable to:				
Equity holders of the Parent	7,457	48,415	50,675	34,874
Non controlling interests	1,036	1,192	3,094	4,921
	8,493	49,607	53,769	39,795

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

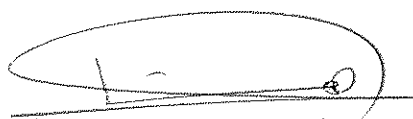
At 30 September 2016 (Unaudited)

	Notes	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
ASSETS			
Cash and balances with banks	4	839,880	606,440
Islamic financing and investing assets		3,065,010	3,459,713
Available-for-sale investments	5	8,590	25,529
Advances for investment properties	6	322,818	322,818
Investment properties	7	1,713,982	1,701,920
Properties under development	8	226,470	386,418
Investment in associate		286,522	282,096
Other assets		194,304	88,973
Furniture, fixtures and office equipment		16,560	14,168
TOTAL ASSETS		6,674,136	6,888,075
LIABILITIES AND EQUITY			
Liabilities			
Investment deposits and other Islamic financing	9	4,655,267	4,845,232
Term Islamic financing		72,376	69,799
Employees' end of service benefits		6,649	6,292
Other liabilities		181,337	235,442
Total liabilities		4,915,629	5,156,765
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		117,690	117,690
General reserve		117,690	117,690
Special reserve		99,265	99,265
Mudaraba Instrument		231,128	231,128
Mudaraba Instrument reserve		868,947	868,947
Cumulative changes in fair value		2,063	4,163
Foreign currency translation reserve		(176,009)	(137,725)
Accumulated losses		(1,031,842)	(1,121,371)
Non-controlling interests		1,635,884	1,586,739
		122,623	144,571
Total equity		1,758,507	1,731,310
TOTAL LIABILITIES AND EQUITY		6,674,136	6,888,075

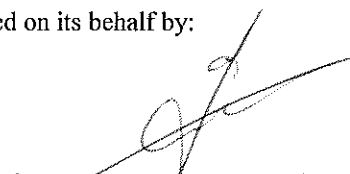
Approved by the Board of Directors on 08-November- 2016 and signed on its behalf by:



Chairman



Director



Managing Director &
Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2016 (Unaudited)

		<i>Nine months ended 30 September</i>	
	<i>Note</i>	<i>2016 AED'000 (Unaudited)</i>	<i>2015 AED'000 (Unaudited)</i>
OPERATING ACTIVITIES			
Profit for the period		94,153	71,277
Adjustments for:			
Depreciation		3,709	4,249
Share of results of associate		(20,887)	(17,532)
(Reversal of impairment) / impairment on other assets		(905)	1,000
Impairment / (reversal of impairment) on financing and investing assets		35,615	(74,764)
Amortisation of fair value adjustment on investment deposits	9	83,673	99,821
Distribution to financiers / investors		96,603	107,771
Other income		-	(3,967)
Income on deposits		(5,084)	(2,878)
Gain realised on sale of available-for-sale investments		(2,100)	-
Provision for employees' end of service benefits		1,056	980
		<u>285,833</u>	<u>185,957</u>
Operating profit before changes in operating assets and liabilities:			
Islamic financing and investing assets		321,799	557,410
Other assets		(104,426)	2,337
Other liabilities		(56,581)	28,585
		<u>446,625</u>	<u>774,289</u>
Cash from operations			
Employees' end of service benefits paid		(699)	(792)
		<u>445,926</u>	<u>773,497</u>
INVESTING ACTIVITIES			
Dividend from associate		16,461	10,937
Proceeds from sale of available-for-sale investments		17,400	-
Purchase of available-for-sale investments	5	(570)	-
Decrease / (increase) in properties under development		159,948	(14,054)
Increase in investment properties		(6,265)	-
Movement in restricted cash		(143,226)	154,389
Proceeds from wakala deposits		-	340,000
Placement of wakala deposits		-	(340,000)
Purchase of furniture, fixtures and office equipment		(6,101)	(2,461)
Income on deposits		5,084	2,878
		<u>42,731</u>	<u>151,689</u>
FINANCING ACTIVITIES			
Receipt of term Islamic financing		2,577	20,119
Payment to non-controlling interests		(25,042)	-
Investment deposits and other Islamic financing, net		(367,765)	(662,056)
Repayment of Mudaraba instrument		-	(209,314)
Directors' fees paid		(1,530)	(5,190)
		<u>(391,760)</u>	<u>(856,441)</u>
Net cash used in financing activities			
INCREASE IN CASH AND CASH EQUIVALENTS			
Foreign currency translation reserve		96,897	68,745
Cash and cash equivalents at the beginning of the period		(6,683)	(6,606)
		<u>503,112</u>	<u>292,095</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
		<u>593,326</u>	<u>354,234</u>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2016 (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 2016	1,500,000	(93,048)	117,690	117,690	99,265	231,128	868,947	4,163	(137,725)	(1,121,371)	1,586,739	144,571	1,731,310
Profit for the period	-	-	-	-	-	-	-	-	-	91,059	91,059	3,094	94,153
Other comprehensive income for the period	-	-	-	-	-	-	-	(2,100)	(38,284)	-	(40,384)	-	(40,384)
Total comprehensive income for the period	-	-	-	-	-	-	-	(2,100)	(38,284)	91,059	50,675	3,094	53,769
Funds paid to project owner *	-	-	-	-	-	-	-	-	-	-	-	(25,042)	(25,042)
Directors' fee paid	-	-	-	-	-	-	-	-	-	(1,530)	(1,530)	-	(1,530)
At 30 September 2016	1,500,000	(93,048)	117,690	117,690	99,265	231,128	868,947	2,063	(176,009)	(1,031,842)	1,635,884	122,623	1,758,507

* Funds paid to project owner represent capital redemption towards their share in the Sky Gardens project.

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 30 September 2016 (Unaudited)

	<i>Attributable to the equity holders of the parent</i>												
	<i>Share capital</i>	<i>Employee stock option plan shares</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Special reserve</i>	<i>Mudaraba Instrument</i>	<i>Mudaraba Instrument reserve</i>	<i>Cumulative changes in fair value</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
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	-	-	-	-	-	-	-	-	-	66,356	66,356	4,921	71,277
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(31,482)	-	(31,482)	-	(31,482)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(31,482)	66,356	34,874	4,921	39,795
Partial repayment of Mudaraba instrument	-	-	-	-	-	(42,005)	(157,920)	-	-	(9,389)	(209,314)	-	(209,314)
Directors' fees paid	-	-	-	-	-	-	-	-	-	(5,190)	(5,190)	-	(5,190)
At 30 September 2015	1,500,000	(93,048)	117,158	117,158	99,265	231,128	868,947	2,533	(137,929)	(1,185,269)	1,519,943	145,244	1,665,187

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (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 Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing 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 BASIS OF PREPARATION

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 2015 except for the adoption of the new and amended IFRS and IFRIC interpretations which became effective as of 1 January 2016. 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 2015. In addition, results for the period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The 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

In the current period, the Group has not adopted any new accounting standards or interpretations that have been issued but are not yet effective.

3 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Profit for the period attributable to equity holders of the parent net of Directors' fee (AED'000)	<u>5,679</u>	<u>55,462</u>	<u>89,529</u>	<u>61,166</u>
Weighted average number of shares for basic EPS (in thousands)	<u>1,475,000</u>	<u>1,475,000</u>	<u>1,475,000</u>	<u>1,475,000</u>
Effect of dilution: Mudaraba Instrument	<u>1,647,225</u>	<u>1,788,257</u>	<u>1,647,225</u>	<u>1,899,471</u>
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>3,122,225</u>	<u>3,263,257</u>	<u>3,122,225</u>	<u>3,374,471</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2016 (Unaudited)

3 BASIC AND DILUTED PROFIT PER SHARE (continued)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Attributable to equity holders of the Parent:				
Basic profit per share (AED)	0.004	0.038	0.061	0.041
Diluted profit per share (AED)	0.002	0.017	0.029	0.018

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.

4 CASH AND BALANCES WITH BANKS

	<i>30 September 2016 AED'000 (Unaudited)</i>	<i>31 December 2015 AED'000 (Audited)</i>
Cash on hand	101	101
Balances with banks	595,313	495,137
Deposits with banks	244,466	111,202
Cash and balances with banks	839,880	606,440
Less: Regulatory deposit with no maturity	(35,000)	(35,000)
Restricted cash	(211,554)	(68,328)
Cash and cash equivalents	593,326	503,112

Deposits maturing after one year represent AED 35 million (31 December 2015: 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 212 million (31 December 2015: AED 68 million) of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture (Note 8).

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

5 AVAILABLE-FOR-SALE INVESTMENTS

	<i>UAE</i>		<i>International</i>		<i>Total</i>	
	<i>30 September 2016 AED'000 (Unaudited)</i>	<i>31 December 2015 AED'000 (Audited)</i>	<i>30 September 2016 AED'000 (Unaudited)</i>	<i>31 December 2015 AED'000 (Audited)</i>	<i>30 September 2016 AED'000 (Unaudited)</i>	<i>31 December 2015 AED'000 (Audited)</i>
Equities and Funds	-	17,400	8,590	8,129	8,590	25,529

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 September 2016 (Unaudited)

5 AVAILABLE-FOR-SALE INVESTMENTS (continued)

30 September 2016 (Unaudited)

	<i>Investments carried at fair value</i>			
	<i>Total</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Equities	8,590	-	-	8,590
Funds	-	-	-	-
	<u>8,590</u>	<u>-</u>	<u>-</u>	<u>8,590</u>

31 December 2015 (Audited)

	<i>Investments carried at fair value</i>			
	<i>Total</i> <i>AED'000</i>	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>
Equities	8,129	-	-	8,129
Funds	17,400	-	17,400	-
	<u>25,529</u>	<u>-</u>	<u>17,400</u>	<u>8,129</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.

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

	<i>30 September</i> <i>2016</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2015</i> <i>AED'000</i> <i>(Audited)</i>
Balance at 1 January	8,129	8,945
Net change in fair values	-	(770)
Addition during the period / year	570	-
Exchange difference	(109)	(46)
	<u>8,590</u>	<u>8,129</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

	<i>30 September</i> <i>2016</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2015</i> <i>AED'000</i> <i>(Audited)</i>
At 1 January	322,818	312,036
Fair value gain on advances for investment properties	-	10,782
	<u>322,818</u>	<u>322,818</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2016 (Unaudited)

6 ADVANCES FOR INVESTMENT PROPERTIES (continued)

This represents the advances paid by the Group towards the acquisition of units in under-development real estate projects in Dubai. The Group is still in discussion with certain developers and has commenced legal proceedings to facilitate recovery of certain assets, 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 million (31 December 2015: AED 23 million) in accordance with the agreement with the seller of real estate projects.

These advances are carried at fair value. At 31 December 2015, 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. Management performs a high level estimation of the fair valuation of the advances from investment properties at each quarter end and at 30 September 2016. This assessment indicates there is no significant variation from the year ended 31 December 2015 fair valuations.

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 39 million (31 December 2015: AED 39 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.

7 INVESTMENT PROPERTIES

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
At 1 January	1,701,920	1,489,968
Addition during the period / year	51,125	183,007
Disposal during the year	(7,570)	-
Fair value gain on investment properties	-	55,805
Foreign exchange fluctuation	(31,493)	(26,860)
	<u>1,713,982</u>	<u>1,701,920</u>

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

At 31 December 2015, 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. Management performs a high level estimation of the fair valuation of the investment properties at each quarter end and at 30 September 2016. This assessment indicates there is no significant variation from the year ended 31 December 2015 fair valuations.

Investment properties as at 30 September 2016 include a plot of land and two residential units in Egypt owned by the Group's subsidiaries amounting to AED 244 million (31 December 2015: AED 275 million). All other investment properties are located within the UAE.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

7 INVESTMENT PROPERTIES (continued)

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 30 September 2016, investment properties having fair value of AED 856 million (31 December 2015: AED 850 million) are mortgaged / assigned in favour of the security agent as part of the restructuring.

	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
Rental income derived from investment properties	41,583	32,631
Direct operating expenses (including repairs and maintenance) generating rental income	(12,019)	(9,186)
Profit arising from investment properties carried at fair value	29,564	23,445

8 PROPERTIES UNDER DEVELOPMENT

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
At 1 January	386,418	363,281
Cost of sale of real estate	(184,077)	(33,447)
Additions for construction costs incurred	24,129	56,584
	226,470	386,418

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 is under development with a view to disposal in the market, it has been treated as property under development with an initial cost equal to its fair value at the time of transfer from investment property portfolio of AED 330 million. Subsequent expenditure to develop the land for resale is included in the cost of 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 30 September 2016 is AED 212 million (2015: AED 68 million).

The joint venture has 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 has identified two separate 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 is recorded at the time of transfer of the control of the land and the revenue relating to the building of infrastructure is 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.

As at 30 September 2016, properties under development are assigned as security in favour of the security agent as part of the restructuring.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

8 PROPERTIES UNDER DEVELOPMENT (continued)

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

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Properties under development	226,470	386,418
Cash and balances with banks	211,554	68,328
Other assets - receivables	120,249	65
Deferred income and other liabilities	(2,810)	(92,010)
Net Assets	555,463	362,801

	30 September 2016 AED'000 (Unaudited)	30 September 2015 AED'000 (Unaudited)
Revenue	395,888	44,290
Cost of sale of real estate	(184,077)	(21,006)
Operating expenses	(21,104)	(6,736)
Income on deposits	1,956	-
Profit for the period	192,663	16,548

Revenue for the period comprises AED 343 million (30 September 2015: AED nil) following satisfaction of transfer of control of land performance obligations and AED 53 million (30 September 2015: AED 44 million) against ongoing satisfaction against infrastructure development performance obligations. 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.

9 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING

	Profit rate	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
Murabaha	2%	229,296	238,124
Wakala	4%	199,695	228,222
Others	4%	457,722	523,111
Purchase price payable	2%	4,439,015	4,609,909
		5,325,728	5,599,366
Amortised fair value adjustment (note 9.1)		(670,461)	(754,134)
		4,655,267	4,845,232

The payment obligations are secured under the restructuring assignments and pledges as detailed in notes 4, 7 and 8.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2016 (Unaudited)

9 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING (continued)

9.1 Amortised fair value adjustment

	30 September 2016 AED'000 (Unaudited)	31 December 2015 AED'000 (Audited)
At 1 January	754,134	886,318
Amortisation charged for the period / year	(83,673)	(132,184)
	<u>670,461</u>	<u>754,134</u>

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 period end is AED 5,326 million (31 December 2015: 5,599 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 at the date of the restructuring 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 30 September 2016 was AED 241 million giving a residual fair value gain to be amortised of AED 670 million as at 30 September 2016.

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 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 till October 2017 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 till December 2017 was paid on 25 January 2016. The fourth assessment was performed based on the cash position as at 30 June 2016 and consequently an advance payment of AED 137 million representing 2 future scheduled monthly installments till February 2018 was paid on 25 July 2016.

10 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), 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.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

10 SEGMENTAL INFORMATION (continued)

Operating segments:

The Group's revenues and expenses for each segment for the nine months period ended 30 September are as follows:

30 September 2016 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment & Others AED'000</i>	<i>Total AED'000</i>
Operating income	172,218	420,538	11,535	604,291
Distribution to financiers/investors	(65,622)	(26,423)	(4,558)	(96,603)
Amortisation of initial fair value gain	(83,673)	-	-	(83,673)
Reversal / (allowances) for impairment	(32,326)	(1,632)	(752)	(34,710)
Cost of sale of real estate	-	(184,077)	-	(184,077)
Expenses (including allocated expenses)	(91,427)	(29,477)	(11,058)	(131,962)
Share of results of associate	-	-	20,887	20,887
Segment results	<u>(100,830)</u>	<u>178,929</u>	<u>16,054</u>	<u>94,153</u>
Non-controlling interests				<u>(3,094)</u>
				<u>91,059</u>

30 September 2015 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment & Others AED'000</i>	<i>Total AED'000</i>
Operating income	238,554	66,169	13,028	317,751
Distribution to financiers/investors	(73,909)	(29,743)	(4,119)	(107,771)
Amortisation of initial fair value gain	(99,821)	-	-	(99,821)
Reversal / (allowances) for impairment	74,000	319	(555)	73,764
Cost of sale of real estate	-	(21,006)	-	(21,006)
Expenses (including allocated expenses)	(87,695)	(14,783)	(6,694)	(109,172)
Share of results of associate	-	-	17,532	17,532
Segment results	<u>51,129</u>	<u>956</u>	<u>19,192</u>	<u>71,277</u>
Non-controlling interests				<u>(4,921)</u>
				<u>66,356</u>

Segment assets and liabilities:

The following table presents segment assets and liabilities of the Group as at 30 September 2016 and 31 December 2015:

30 September 2016 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment & Others AED'000</i>	<i>Total AED'000</i>
Segment assets	<u>4,187,640</u>	<u>2,039,211</u>	<u>447,285</u>	<u>6,674,136</u>
Segment liabilities	<u>2,833,445</u>	<u>1,666,090</u>	<u>416,094</u>	<u>4,915,629</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2016 (Unaudited)

10 SEGMENTAL INFORMATION (continued)

Segment assets and liabilities (continued)

31 December 2015 (Audited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment & Others AED'000</i>	<i>Total AED'000</i>
Segment assets	4,460,152	1,697,743	730,180	6,888,075
Segment liabilities	2,981,908	1,474,197	700,660	5,156,765

Following satisfaction of the relevant local regulatory requirements, during Q3 2016, land in Egypt with a carrying value of AED 241 million and associated liabilities of AED 234 million was reclassified from Corporate Finance Investment and Others to Real Estate Investment (31 December 2015: AED 272 million and AED 262 million respectively).

11 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:

30 September 2016 (Unaudited):

	<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	-	-	23,476	23,476
Islamic financing and investing assets	-	18,483	13,879	32,362
Available for sale investments	-	-	7,649	7,649
Investment deposits	130,221	-	1,042,085	1,172,306
Other assets	-	-	703	703
Other liabilities	43	-	2,260	2,303

31 December 2015 (Audited):

	<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	-	-	10,103	10,103
Islamic financing and investing assets	-	19,078	15,626	34,704
Available-for-sale investments	-	-	7,649	7,649
Investment deposits	135,234	-	1,082,203	1,217,437
Other assets	-	-	703	703
Other liabilities	53	-	2,343	2,396

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 September 2016 (Unaudited)

11 RELATED PARTY TRANSACTIONS (continued)

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

30 September 2016 (Unaudited)

	<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	-	469	558	1,027
Distribution to financiers / investors	2,014	-	16,119	18,133

30 September 2015 (Unaudited)

	<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	-	431	702	1,133
Distribution to financiers / investors	2,130	-	17,788	19,918

Compensation of key management personnel

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

	<i>Nine months ended 30 September</i>	
	<i>2016 AED'000 (Unaudited)</i>	<i>2015 AED'000 (Unaudited)</i>
Salaries and other benefits	14,888	13,616
Employee terminal benefits	-	1,710
	<u>14,888</u>	<u>15,326</u>

Directors fees paid during the period ended 30 September 2016 has been disclosed in note 12.

12 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>Notes</i>	<i>30 September 2016 AED'000 (Unaudited)</i>	<i>31 December 2015 AED'000 (Audited)</i>
Irrevocable commitments to advance financing	12.1	240,573	256,762
Commitments for investment properties	12.2	94,791	23,251
Commitments against capital expenditure	12.3	611	5,567
Commitments against properties under development	12.4	18,033	33,672
		<u>354,008</u>	<u>319,252</u>

12.1 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.

12 COMMITMENTS AND CONTINGENCIES (continued)

Commitments (continued)

- 12.2 This represents commitments to property developers or sellers in respect of property purchases and development of investment property.
- 12.3 This represents commitment towards implementation of new IT projects.
- 12.4 Estimated capital expenditure pertaining to development of real estate, contracted but not provided for.

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, management believes it is less than probable that such actions taken by counter parties would succeed, except for cases against which a provision of AED 11 million has been made in the prior year.
- b) As at 30 September 2016 the Group had a contingent liability for proposed Directors' remuneration of AED Nil million (31 December 2015: AED 7.86 million). Directors' remuneration, which is governed by UAE Federal Law No (2) of 2015, of AED 1.53 million was approved at Annual General Meeting on 26 April 2016 and was paid during the quarter ended 30 June 2016.

13 RECLASSIFICATION AND SUBSEQUENT EVENT

13.1 Reclassification

Certain prior year figures are reclassified to make current period presentation in line with most recent audited financial statements for the year ended 31 December 2015.

13.2 Subsequent event

Subsequent to period end, the Egyptian Government decided to float the Egyptian Pound against other currencies to enable updated exchange value for the Egyptian Pound based on market supply and demand mechanisms. This has resulted in a significant devaluation of the Egyptian Pound against other currencies and more specifically, against the AED.

The financial effect of the above devaluation from 30 September 2016 to the market rate as at 7 November 2016 is AED 127 million of loss in other comprehensive income. This is a non-adjusting post balance sheet event and hence has not been incorporated in the financial statements at 30 September 2016.

Other than the information disclosed above, there were no events that have a material impact on the interim condensed consolidated financial statements that occurred between the statement of financial position date and the date when the Board of Directors authorised the interim condensed consolidated financial statements for issue.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

14 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity analysis of assets, liabilities and off balance sheet items is 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.

At 30 September 2016 (Unaudited):

	Up to 1 year			Total	1 year to	Over	Items with	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	5 years AED'000	5 years AED'000	no maturity AED'000	AED'000
Assets								
Cash and balances with banks	593,326	-	-	593,326	211,554	-	35,000	839,880
Islamic financing and investing assets	264,754	74,903	112,185	451,842	956,534	1,656,634	-	3,065,010
Available-for-sale investments	-	-	-	-	-	-	8,590	8,590
Advance for investment properties	-	-	-	-	30,036	292,782	-	322,818
Investment properties	-	-	-	-	243,500	1,470,482	-	1,713,982
Properties under development	-	-	-	-	226,470	-	-	226,470
Investment in associate	-	-	-	-	-	-	286,522	286,522
Other assets	35,737	1,568	36,580	73,885	120,419	-	-	194,304
Furniture, fixture and office equipment	-	-	-	-	-	-	16,560	16,560
Total assets	893,817	76,471	148,765	1,119,053	1,788,513	3,419,898	346,672	6,674,136
Liabilities								
Investment deposits and other Islamic financing	-	-	-	-	2,105,629	2,549,638	-	4,655,267
Term Islamic financing	1,306	1,306	2,613	5,225	26,129	41,022	-	72,376
Employees' end of service benefits	-	-	-	-	-	-	6,649	6,649
Other liabilities	166,118	3,299	9,110	178,527	2,810	-	-	181,337
Total liabilities	167,424	4,605	11,723	183,752	2,134,568	2,590,660	6,649	4,915,629
Commitments	254,205	34,666	15,749	304,620	49,388	-	-	354,008
Net liquidity gap	472,188	37,200	121,293	630,681	(395,443)	829,238	340,023	1,404,499
Cumulative net liquidity gap	472,188	509,388	630,681	630,681	235,238	1,064,476	1,404,499	1,404,499

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2016 (Unaudited)

14 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

At 31 December 2015(Audited):

	Up to 1 year			Total up to 1 year	1 year to 5 years	Over 5 years	Items with no maturity	Total
	Less than 3 months AED'000	3 months to 6 months AED'000	6 months to 1 year AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Assets								
Cash and balances with banks	503,112	-	-	503,112	68,328	-	35,000	606,440
Islamic financing and investing assets	239,452	51,693	105,853	396,998	1,031,245	2,031,470	-	3,459,713
Available-for-sale investments	-	-	-	-	-	-	25,529	25,529
Advance for Investment Properties	-	-	-	-	30,036	292,782	-	322,818
Investment Properties	-	-	-	-	275,108	1,426,812	-	1,701,920
Properties under Development	-	-	-	-	386,418	-	-	386,418
Investments in associate	-	-	-	-	-	-	282,096	282,096
Other assets	61,484	2,851	24,638	88,973	-	-	-	88,973
Furniture, fixture and office equipment	-	-	-	-	-	-	14,168	14,168
Total assets	804,048	54,544	130,491	989,083	1,791,135	3,751,064	356,793	6,888,075
Liabilities								
Investment deposits and other Islamic financing	-	-	-	-	1,945,866	2,899,366	-	4,845,232
Term Islamic financing	1,191	1,191	2,381	4,763	62,373	2,663	-	69,799
Employees' end of service benefits	-	-	-	-	-	-	6,292	6,292
Other liabilities	133,806	2,053	7,573	143,432	92,010	-	-	235,442
Total liabilities	134,997	3,244	9,954	148,195	2,100,249	2,902,029	6,292	5,156,765
Commitments	235,247	1,637	6,566	243,450	75,802	-	-	319,252
Net liquidity gap	433,804	49,663	113,971	597,438	(384,916)	849,035	350,501	1,412,058
Cumulative net liquidity gap	433,804	483,467	597,438	597,438	212,522	1,061,557	1,412,058	1,412,058