

**Amlak Finance PJSC
and its Subsidiaries**

**REVIEW REPORT AND CONDENSED
CONSOLIDATED INTERIM FINANCIAL
INFORMATION**

**FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2020 (UNAUDITED)**

Amlak Finance PJSC and its Subsidiaries

Table of contents	Pages
Report on review of condensed consolidated interim financial information	1
Condensed consolidated interim statement of income (Unaudited)	2
Condensed consolidated interim statement of comprehensive income (Unaudited)	3
Condensed consolidated interim statement of financial position	4
Condensed consolidated interim statement of cash flows (Unaudited)	5
Condensed consolidated interim statement of changes in equity (Unaudited)	6 - 7
Notes to the condensed consolidated interim financial statements	8 – 24

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**The Board of Directors
Amlak Finance PJSC
Dubai
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Amlak PJSC, Dubai, United Arab Emirates** (the “Company”) **and its Subsidiaries** (together referred to as the “Group”) as at 30 September 2020, and the related condensed consolidated interim statement of income and condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and cash flows for the nine-month period then ended, and a summary of other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim Financial Reporting.

Deloitte & Touche (M.E.)



Musa Ramahi
Registration No. 872
9 November 2020
Dubai
United Arab Emirates

Amlak Finance PJSC and its Subsidiaries

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME

For the period ended 30 September 2020 (Unaudited)

	Notes	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Income from Islamic financing and investing assets		40,247	42,714	125,354	127,842
Fee income		1,160	1,339	3,295	3,061
Income on deposits		454	1,445	1,589	6,095
Rental income	8	10,408	14,266	35,447	43,571
Fair value (loss) / gain on investment properties	8	(109,533)	(10,799)	(327,830)	72,749
Loss on sale of investment properties		(16,644)	(3,803)	(33,898)	(10,048)
Gain on debt buyback transaction	10	72,824	-	72,824	-
Other income		11,156	2,751	45,829	19,748
		10,072	47,913	(77,390)	263,018
Impairment of:					
- Islamic financing and investing assets		(86,873)	(14,819)	(158,662)	(73,780)
- Other assets		(1,019)	(73)	(890)	(413)
Amortisation of initial fair value gain on investment deposits	10	(37,027)	(23,550)	(80,206)	(73,552)
Fair value adjustment on investment deposits	10	-	-	213,125	-
Operating expenses		(24,492)	(29,626)	(75,339)	(88,188)
Share of results of an associate	9	2,652	2,615	16,404	14,764
(LOSS) / PROFIT BEFORE DISTRIBUTION TO FINANCIERS / INVESTORS		(136,687)	(17,540)	(162,958)	41,849
Distribution to financiers / investors		(24,410)	(27,496)	(75,970)	(82,529)
LOSS FOR THE PERIOD		(161,097)	(45,036)	(238,928)	(40,680)
Attributable to:					
Equity holders of the parent		(151,388)	(46,865)	(214,997)	(45,213)
Non-controlling interests		(9,709)	1,829	(23,931)	4,533
		(161,097)	(45,036)	(238,928)	(40,680)
Loss per share attributable to:					
Equity holders of the parent:					
Basic loss per share (AED)	3	(0.102)	(0.032)	(0.145)	(0.031)
Diluted loss per share (AED)	3	(0.102)	(0.032)	(0.145)	(0.031)

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2020 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Loss for the period	(161,097)	(45,036)	(238,928)	(40,680)
Other comprehensive income				
<i>Item that will be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	5,591	4,527	1,601	19,435
Other comprehensive income for the period	5,591	4,527	1,601	19,435
Total comprehensive loss for the period	(155,506)	(40,509)	(237,327)	(21,245)
Attributable to:				
Equity holders of the parent	(145,797)	(42,338)	(213,396)	(25,778)
Non-controlling interests	(9,709)	1,829	(23,931)	4,533
	(155,506)	(40,509)	(237,327)	(21,245)

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
ASSETS			
Cash and balances with banks	4	240,639	183,115
Islamic financing and investing assets	5	2,245,808	2,434,858
Investment securities at FVTOCI	6	7,778	7,769
Investment properties	8	1,841,903	2,319,794
Investment in an associate	9	214,540	288,946
Other assets		62,018	61,962
Furniture, fixtures and office equipment		15,979	10,848
TOTAL ASSETS		4,628,665	5,307,292
EQUITY AND LIABILITIES			
Liabilities			
Investment deposits and other Islamic financing	10	3,616,445	4,056,115
Term Islamic financing		169,844	115,062
Employees' end of service benefits		3,304	4,108
Other liabilities		280,363	323,290
Total liabilities		4,069,956	4,498,575
Equity			
Equity attributable to equity holders of the parent			
Share capital		1,500,000	1,500,000
Treasury shares		(57,584)	(88,848)
Statutory reserve		122,650	122,650
General reserve		122,650	122,650
Special reserve		99,265	99,265
Mudaraba Instrument		209,695	215,472
Mudaraba Instrument reserve		788,367	810,088
General impairment reserve		-	4,316
Cumulative changes in fair value		1,459	1,459
Foreign currency translation reserve		(299,498)	(301,099)
Accumulated losses		(2,000,699)	(1,778,975)
		486,305	706,978
Non-controlling interests		72,404	101,739
Total equity		558,709	808,717
TOTAL LIABILITIES AND EQUITY		4,628,665	5,307,292

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Group as of, and for the periods presented therein.

Approved by the Board of Directors on 9 November 2020 and signed on its behalf by:



Chairman



Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the period ended 30 September 2020 (Unaudited)

Nine months ended 30 September

	2020	2019
	AED '000	AED '000
OPERATING ACTIVITIES		
Loss for the period	(238,928)	(40,680)
Adjustments for:		
Depreciation	4,141	5,255
Share of results of an associate	(16,404)	(14,764)
Impairment of financing and investing assets	158,662	73,780
Impairment of other assets	890	413
Fair value loss / (gain) on investment properties	327,830	(72,749)
Amortisation of fair value gain on investment deposits	80,206	73,552
Fair value adjustment on investment deposits	(213,125)	-
Gain on debt buy back transaction	(72,824)	-
Distribution to financiers / investors	75,970	82,529
Gain on disposal of share in associate	(7,517)	-
Income on deposits	(1,589)	(6,095)
Loss realised on sale of investment properties	33,898	10,048
Provision for employees' end of service benefit	484	943
Operating profit before changes in operating assets and liabilities:	131,694	112,232
Islamic financing and investing assets	21,388	80,324
Other assets	(946)	(88)
Other liabilities	(52,236)	27,768
Cash generated from operations	99,900	220,236
Employees' end of service benefit paid	(1,288)	(1,160)
Net cash generated from operating activities	98,612	219,076
INVESTING ACTIVITIES		
Dividend from an associate	-	16,557
Proceed from sale of share in associate	98,327	-
Proceed on sale of investment properties	141,569	35,827
Increase in investment properties, net	(33,379)	(127,602)
Movement in restricted cash	13,758	29,286
Proceeds from wakala deposits	1,591,000	2,030,000
Placement of wakala deposits	(1,582,000)	(1,995,000)
Purchase of furniture, fixtures and office equipment	(1,377)	(87)
Income on deposits	1,589	6,095
Net cash generated from / (used in) investing activities	229,487	(4,924)
FINANCING ACTIVITIES		
Receipt of term Islamic financing	71,122	32,422
Repayment of term Islamic financing	(18,348)	(10,711)
Payment to non-controlling interests	(5,404)	(6,295)
Investment deposits and other Islamic financing	(300,674)	(269,808)
Redemption of Mudaraba instrument	(10,025)	-
Directors' fees paid	-	(1,159)
Proceeds from sale of treasury shares	2,742	-
Net cash used in financing activities	(260,587)	(255,551)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	67,512	(41,399)
Foreign currency translation reserve	3,770	10,470
Cash and cash equivalents at the beginning of the period	58,111	87,086
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	129,393	56,157

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2020 (Unaudited)

Attributable to the equity holders of the parent

	<i>Share capital</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Special reserve</i>	<i>Mudaraba Instrument</i>	<i>Mudaraba Instrument reserve</i>	<i>General impairment 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>	<i>AED'000</i>
At 1 January 2020	1,500,000	(88,848)	122,650	122,650	99,265	215,472	810,088	4,316	1,459	(301,099)	(1,778,975)	706,978	101,739	808,717
Loss for the period	-	-	-	-	-	-	-	-	-	-	(214,997)	(214,997)	(23,931)	(238,928)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	1,601	-	1,601	-	1,601
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	-	1,601	(214,997)	(213,396)	(23,931)	(237,327)
Regulatory credit risk reserve	-	-	-	-	-	-	-	(4,316)	-	-	4,316	-	-	-
Debt buy back Adjustment (note 10.1)	-	-	-	-	-	(5,777)	(21,721)	-	-	-	-	(27,498)	-	(27,498)
Gain on debt buy back through equity (note 10.1)	-	-	-	-	-	-	-	-	-	-	17,473	17,473	-	17,473
Sale of treasury shares	-	31,264	-	-	-	-	-	-	-	-	-	31,264	-	31,264
Loss on sale of treasury shares	-	-	-	-	-	-	-	-	-	-	(28,516)	(28,516)	-	(28,516)
Funds paid to project owner *	-	-	-	-	-	-	-	-	-	-	-	-	(5,404)	(5,404)
At 30 September 2020	1,500,000	(57,584)	122,650	122,650	99,265	209,695	788,367	-	1,459	(299,498)	(2,000,699)	486,305	72,404	558,709

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2020 (Unaudited)

Attributable to the equity holders of the parent

	<i>Share capital</i> <i>AED'000</i>	<i>Treasury shares</i> <i>AED'000</i>	<i>Statutory reserve</i> <i>AED'000</i>	<i>General reserve</i> <i>AED'000</i>	<i>Special reserve</i> <i>AED'000</i>	<i>Mudaraba Instrument</i> <i>AED'000</i>	<i>Mudaraba Instrument reserve</i> <i>AED'000</i>	<i>General impairment reserve</i> <i>AED'000</i>	<i>Cumulative changes in fair value</i> <i>AED'000</i>	<i>Foreign currency translation reserve</i> <i>AED'000</i>	<i>Accumulated losses</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Non controlling interests</i> <i>AED'000</i>	<i>Total equity</i> <i>AED'000</i>
At 1 January 2019	1,500,000	(93,048)	122,650	122,650	99,265	215,472	810,088	4,316	1,459	(324,271)	(1,299,719)	1,158,862	106,335	1,265,197
Loss for the period	-	-	-	-	-	-	-	-	-	-	(45,213)	(45,213)	4,533	(40,680)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	19,435	-	19,435	-	19,435
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	-	19,435	(45,213)	(25,778)	4,533	(21,245)
Zakat	-	-	-	-	-	-	-	-	-	-	(5,266)	(5,266)	-	(5,266)
Funds paid to project owner *	-	-	-	-	-	-	-	-	-	-	-	-	(6,295)	(6,295)
Director's fee paid (note 13 b)	-	-	-	-	-	-	-	-	-	-	(1,159)	(1,159)	-	(1,159)
At 30 September 2019	1,500,000	(93,048)	122,650	122,650	99,265	215,472	810,088	4,316	1,459	(304,836)	(1,351,357)	1,126,659	104,573	1,231,232

* Funds paid to project owner represent capital redemption towards their share in sky gardens project.

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (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 2016, replacing the Federal Law No. 8 of 1984.

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

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

The condensed consolidated interim financial information comprises of the financial information of Amlak Finance PJSC and its subsidiaries (the “Group”). The principal activities of the subsidiaries are the same as those of the parent company. The extent of the Group’s shareholding in the subsidiaries is as follows:

Company	Basis for Consolidation	Country of incorporation	Percentage of shareholding	
			30 September 2020	31 December 2019
Amlak Finance Egypt Company (S.A.E.)	Subsidiary	Egypt	100%	100%
EFS Financial Services LLC	Subsidiary	UAE	57.5%	57.5%
Amlak Sky Gardens LLC	Subsidiary	UAE	100%	100%
Amlak Holding Limited	Subsidiary	UAE	100%	100%
Warqa Heights LLC	Subsidiary	UAE	100%	100%
Amlak Capital LLC	Subsidiary	UAE	100%	100%
Amlak Property Investment LLC	Subsidiary	UAE	100%	100%
Amlak Limited	Subsidiary	UAE	100%	100%
Amlak Nasr City Real Estate Investment LLC	Subsidiary	Egypt	100%	100%

2 ACCOUNTING POLICIES

2.1 ASSESSMENT OF GOING CONCERN

Due to uncertainty in forecast of future cash flows, the Group initiated negotiations with its commercial financiers in January 2019 to restructure the Common Term Agreement (CTA) signed in 2014 and amended in 2016. The restructuring in 2014 and revised terms in 2016 through New Business Plan (NBP) allowed for the resumption of normal business activity that enabled successful repayment of 48% of the Group’s total debt over a period of 4 years under a 12-year restructuring plan. With the passage of time and given the changes in market dynamics and macro-economic factors, the NBP proved to be less viable and detrimental to the long-term prospects of the Group. Consequently, the Group’s management approached its Commercial Financiers to renegotiate the funding conditions in order to allow more flexibility in adapting to current market conditions. A Revised Business Plan (RBP) with updated CTA was developed by the Group and presented to all Financiers, which received 100% acceptance. Based on the new CTA which was implemented and effective from 25 June 2020, investment deposits of AED 4.2 billion were renegotiated and have the following key features:

- Monthly principal installments of Commercial financiers were deferred from 25 January 2019 till 25 July 2020.
- AED 1.36 billion is payable in 74 monthly installments commencing from 25 August 2020 and the remaining outstanding amount is payable on maturity in October 2026.
- The Group shall apply 75% proceeds from sale of qualified real estate assets in prepayments of the outstanding in inverse order of maturity.
- There is no change in the profit rate of 2% per annum and tenor of original restructuring.

Restructured investment deposits and other Islamic financing are secured against assignment and mortgage over the Group’s investment properties located in UAE (note 8), 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 the financiers.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

2 ACCOUNTING POLICIES (continued)

2.2 BASIS OF PREPARATION

As the formal restructuring process has been completed, these condensed consolidated interim financial statements have been prepared on a going concern basis.

The condensed consolidated interim financial statements of Amlak Finance PJSC and its subsidiaries (the “Group”) are prepared in accordance with International Accounting 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 2019.

The condensed consolidated interim 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 2019. In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

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

2.3 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

2.3.1 *New and revised IFRS applied with no material effect on the condensed consolidated interim financial statements*

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these condensed consolidated interim financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendment to IFRS 3 Business Combinations relating to definition of a business.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors relating to definition of material.
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to profit interest rate benchmark reforms.

2.3.2 *New and revised IFRSs in issue but not yet effective*

New and revised IFRS

IFRS 17 *Insurance Contracts*

**Effective for
annual periods
beginning on or after
1 January 2022**

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s condensed consolidated interim financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Group in the period of initial application.

2.4 RISK MANAGEMENT

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

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

3 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Loss for the period attributable to equity holders of the parent net of Directors' fee (AED'000)	(151,388)	(46,865)	(214,997)	(46,372)
Weighted average number of shares for basic EPS (in thousands)*	1,483,035	1,475,000	1,480,488	1,475,000
Effect of dilution: Mudaraba Instrument	1,471,320	1,511,857	1,471,320	1,511,857
Weighted average number of ordinary shares adjusted for the effect of dilution	2,954,355	2,986,857	2,951,808	2,986,857
Attributable to equity holders of the Parent:				
Basic loss per share (AED)	(0.102)	(0.032)	(0.145)	(0.031)
Diluted loss profit per share (AED)	(0.102)	(0.032)	(0.145)	(0.031)

*The weighted average numbers of shares for basic EPS were reduced by the purchase of own shares during the year 2008. During the period ended 30 September 2020, 8.4 million shares were sold (4.2 million shares were sold during the year ended 31 December 2019).

Diluted loss per share for the nine month period ended 30 September 2020 has been reported same as basic loss per share in these condensed consolidated interim financial statements, as the impact of potential ordinary shares is antidilutive.

4 CASH AND BALANCES WITH BANKS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Cash on hand	60	60
Balances with banks	129,478	63,297
Deposits with banks	111,101	119,758
Cash and balances with banks	240,639	183,115
Less: Restricted cash and deposits		
Regulatory deposit with no maturity (note 4.1)	(35,000)	(35,000)
Restricted cash (note 4.2)	(76,246)	(90,004)
Cash and cash equivalents	129,393	58,111

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

4.2 At quarter ended 30 September 2020, the Group reported AED 76 million (31 December 2019: AED 90 million) of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture (Note 8).

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

5 ISLAMIC FINANCING AND INVESTING ASSETS

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
<i>Financing assets:</i>		
Ijarah	2,202,790	2,269,645
Forward Ijarah	228,312	244,594
Shirkatul Milk	167,401	170,514
Real estate Murabaha	583	817
Others	99,509	65,039
	2,698,595	2,750,609
Allowance for impairment	(618,787)	(490,751)
Total financing assets	2,079,808	2,259,858
<i>Investing assets:</i>		
Wakala	166,000	175,000
Total investing assets	166,000	175,000
	2,245,808	2,434,858

6 INVESTMENT SECURITIES AT FVTOCI

	30 September 2020 AED'000 (Unaudited)	31 December 2019 AED'000 (Audited)
Equities	7,778	7,769

30 September 2020 (Unaudited)

	Total AED'000	<u>Investments carried at fair value</u>		
		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Equities	7,778	-	-	7,778

31 December 2019 (Audited)

	Total AED'000	<u>Investments carried at fair value</u>		
		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Equities	7,769	-	-	7,769

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

6 INVESTMENT SECURITIES FVTOCI (continued)

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

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Balance at 1 January	7,769	7,714
Exchange movement	9	55
	<u>7,778</u>	<u>7,769</u>

7 ADVANCES FOR INVESTMENT PROPERTIES

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Opening	-	322,818
Settled during the period/year**	-	(30,037)
Provision for the period/year*	-	(292,781)
Closing	<u>-</u>	<u>-</u>
Advances for investment properties	292,781	292,781
Provision	(292,781)	(292,781)
Closing	<u>-</u>	<u>-</u>

*This represents the advances paid by the Group towards the acquisition of units in two under-development real estate projects in Dubai. Both projects have been delayed by a number of years and the date of completion is uncertain. The Group commenced arbitration in 2013 with one developer to facilitate recovery of advances paid of AED 780 million with a carrying value of AED Nil (31 December 2019: AED Nil). During the year ended 31 December 2019, the arbitration was awarded in the Group's favor with the cancelation of the original SPAs and addendum. Advances paid by the Group to developer are fully provided as recommended by the Central Bank and ratified by Board of Directors based on the assessment.

**Based on a favorable Court judgement, advances for investment properties amounting to AED 30 million under Istisna with a financial institution and associated liability of AED 39 million were settled during the year ended 31 December 2019.

8 INVESTMENT PROPERTIES

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
At 1 January	2,319,794	1,989,071
Additions during the period/year	33,379	192,271
Disposals during the period/year	(186,850)	(94,728)
Fair value loss on investment properties during the period / year	(327,830)	(18,241)
Foreign exchange fluctuation	3,410	20,576
Transfer from property under development	-	230,845
	<u>1,841,903</u>	<u>2,319,794</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

8 INVESTMENT PROPERTIES (continued)

The fair value loss in the year ended 31 December 2019 included AED 108 million on the plots which were transferred from properties under development to investment properties.

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, except for the properties under construction which are carried at cost because their fair value is not reliably measurable but expects the fair value to be reliably measured once the construction is complete.

The fair values of the properties are based on valuations performed at nine months period 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 30 September 2020 include a plot of land and two units (31 December 2019: two units) in Egypt owned by the Group's subsidiaries amounting to AED 194 million (31 December 2019: AED 195 million). All other investment properties are located within the UAE. The carrying values of AED 199 million (31 December 2019: 195 million) also include foreign exchange gain and loss on currency translation of investment properties in Egypt which is included in equity.

Except for investment properties in joint venture, 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.

Valuation technique used for investment properties in the joint venture is based on the income approach which uses significant unobservable inputs, hence is classified as level 3. Inputs used by valuator include sale price range from AED 150 to AED 300.50 per sqft with absorption period of 4 years at 11% fair value rate. Significant increases / (decreases) in price per sqft, absorption period and discount rate in isolation would result in a significantly higher / (lower) fair value of the properties.

As at 30 September 2020, investment properties having fair value of AED 1,245 million (31 December 2019: AED 1,509 million) are mortgaged / assigned in favour of the security agent as part of the restructuring.

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Rental income derived from investment properties	35,447	43,571
Direct operating expenses (including repairs and maintenance) generating rental income	(13,655)	(17,883)
Profit arising from investment properties carried at fair value	<u>21,792</u>	<u>25,688</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

8 INVESTMENT PROPERTIES (continued)

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

On 1 October 2014, the Group entered into a joint venture agreement with another party to develop a jointly owned plot of land in Nad Al Hammar. Amlak Finance PJSC acquired a 50% interest in Al Warqa Gardens LLC, a jointly controlled entity to develop a jointly owned plot of land in Nad Al Hammar. The Group has a 50% share in the assets, liabilities, revenue and expenses of the joint venture and accordingly under IFRS 11 it is deemed to be a jointly controlled operation. As the land 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 for AED 330 million. Subsequent expenditure to develop the land for resale is included in the cost of the property. The cash held by the joint venture is restricted, given that it is contractually committed to the development of the land under the joint venture agreement. The Group's share of this restricted cash balance at 30 September 2020 is AED 76 million (31 December 2019: AED 90 million).

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

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Investment properties	392,897	419,625
Cash and balances with banks (note 4)	76,246	90,004
Other assets - receivables	9,381	5,137
Other liabilities	(20,621)	(33,736)
Net Assets	457,903	481,030
	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Income from sale of investment properties *	2,731	-
Cost of sale of properties under development	(1,369)	-
Operating expenses	(31)	(33)
Income on deposits	1,106	4,715
Other income	2,195	-
Profit for the period	4,632	4,682

* It pertains to portion of land sold related to old sale agreement.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

8.1 COVID 19 Impact on Investment Properties:

On the 11 March 2020, the World Health Organization declared the novel strain of coronavirus, or COVID -19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 pandemic continues to adversely impact economic activity in the real estate sector and has contributed significant volatility and downward pressure on the fair values of the Group's investment properties. The impact of the virus has been rapidly evolving and as a result this may impact the Group's ability to recognize revenue due to changes in the probability of collection and reduction in lease income.

In determining the investment property valuations as of 30 September 2020, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and has taken into account the economic and relief measures it has to extend to its tenants.

The overall impact has been treated as part of the unrealized loss on investment properties in these condensed consolidated interim financial statements. Any changes made to valuations to estimate the overall impact of COVID-19 is subject to very high levels of uncertainty, as little reasonable and supportable forward-looking information is currently available on which to base those changes.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

9 INVESTMENT IN AN ASSOCIATE

	<i>Percentage holding</i>		<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
	<i>2020</i>	<i>2019</i>		
Amlak International for Real Estate Finance Company, Saudi Arabia (AIRE)	18.35%	26.21%	214,540	288,946
			288,946	289,005
At 1 January			16,404	16,958
Share of profit for the period / year			(90,810)	-
Divestment of share in associate			-	(16,557)
Dividend received			-	(460)
Other adjustments			214,540	288,946

During the period ended 30 September 2020, the Group divested 30% of its share in associate through IPO launched by Amlak International for Real Estate Finance Company and recorded a gain of AED 7.5 million on this transaction in other income.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

10 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING

	<i>Profit rate</i>	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Murabaha	2%	93,358	207,228
Wakala	4%	-	49,923
Others	4%	-	114,430
Purchase price payable	2%	3,983,253	4,011,781
		4,076,611	4,383,362
Unamortised fair value adjustment (note 10.1)		(460,166)	(327,247)
		3,616,445	4,056,115

Investments deposits and other Islamic financing are secured against assignment and mortgages over the Group's investment properties located in UAE (note 8), assignment of insurance, 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.

10.1 Unamortised fair value adjustment

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
At 1 January	327,247	423,609
Amortisation charged for the period / year	(80,206)	(96,362)
Reversal of unamortized FV adjustment due to restructuring	(284,052)	-
FV Gain on restructuring	497,177	-
	460,166	327,247

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. 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.

In June 2020, the Company again undertook restructuring of deposits of Commercial financiers; the face value of the restructured fixed obligations at period end is AED 4,219 million (31 December 2019: AED 4,219 million). Upon revised restructuring, repayment behaviour was significantly changed resulting into scheduled and non scheduled instalment payments. Repayments terms are mentioned in Note 2.1.

The fair value adjustment is calculated using the original effective profit rate of 4.89%. The cumulative value of fair value gain amortised till to 30 June 2020 was AED 627 million (31 December 2019: AED 584 million) giving a residual fair value gain of AED 284 million as at 30 June 2020 (31 December 2019: AED 328 million). However upon restructuring in 2020, this residual fair value gain as at 30 June 2020 was increased to AED 497 million which will be fully reversed out over the repayment period till October 2026, with a resulting charge to the consolidated statement of income each year.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

10 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING (continued)

10.1 Unamortised fair value adjustment (continued)

Based on revised CTA, the Group concluded mandatory debt buyback auction on 24 September 2020. Cash consideration of AED 50 million was offered to financiers against settlement of their exposures and certain financiers settled their exposure of AED 141 million which include investment deposits of AED 113 million, Mudaraba Instrument of AED of AED 27 million and profit in kind of AED 1 million. Due to this settlement, group has recorded a gain of AED 60 million in statement of income after netting of amortization of fair value adjustment on restructuring amounting to AED 13 million and recorded a gain of AED 17 million related to Mudaraba instrument, in statement of changes in equity.

The obligations are subsequently to be measured at amortised cost using the effective finance rate method.

11 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 finance investment (comprising of corporate finance investment).

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

Operating segments:

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

30 September 2020 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Operating income	122,870	(236,646)	36,386	(77,390)
Allowances for impairment	(158,836)	(148)	(568)	(159,552)
Amortisation of fair value gain on deposits	(39,088)	(35,628)	(5,490)	(80,206)
Fair value adjustment on investment deposits	213,125	-	-	213,125
Expenses (including allocated expenses)	(49,096)	(18,786)	(7,457)	(75,339)
Share of results of an associate	-	-	16,404	16,404
Distribution to financiers/investors	(23,868)	(38,085)	(14,017)	(75,970)
Segment results	<u>65,107</u>	<u>(329,293)</u>	<u>25,258</u>	<u>(238,928)</u>
Non-controlling interests				<u>23,931</u>
Equity holders of the parent				<u>(214,997)</u>

30 September 2019 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Operating income	89,697	157,445	15,876	263,018
Allowances for impairment	(70,878)	(2,561)	(754)	(74,193)
Amortisation of initial fair value gain	(27,928)	(38,551)	(7,073)	(73,552)
Expenses (including allocated expenses)	(60,364)	(21,158)	(6,666)	(88,188)
Share of results of an associate	-	-	14,764	14,764
Distribution to financiers/investors	(33,764)	(35,200)	(13,565)	(82,529)
Segment results	<u>(103,237)</u>	<u>59,975</u>	<u>2,582</u>	<u>(40,680)</u>
Non-controlling interests				<u>(4,533)</u>
Equity holders of the parent				<u>(45,213)</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

11 SEGMENTAL INFORMATION (continued)

Segment assets and liabilities:

The following table presents segment assets and liabilities of the Group as at 30 September 2020 and 31 December 2019:

30 September 2020 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Segment assets	2,619,716	1,574,637	434,312	4,628,665
Segment liabilities	476,329	3,159,009	434,618	4,069,956

31 December 2019 (Audited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Segment assets	3,021,941	1,831,111	454,240	5,307,292
Segment liabilities	938,900	3,081,888	477,787	4,498,575

12 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, all transaction with related parties are on an arms length basis.

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

30 September 2020 (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 balances with banks	-	-	8,964	8,964
Islamic financing and investing assets	-	10,101	3,617	13,718
Investment deposits	116,851	-	935,093	1,051,944
Other liabilities	168	-	1,348	1,516

31 December 2019 (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 balances with banks	-	-	1,682	1,682
Islamic financing and investing assets	-	13,606	5,682	19,288
Investment deposits	117,688	-	941,789	1,059,477
Other liabilities	118	-	946	1,064

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

12 RELATED PARTY TRANSACTIONS (continued)

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

30 September 2020 (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	-	245	175	420
Distribution to financiers / investors	1,850	-	14,802	16,652

30 September 2019 (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	-	335	224	559
Distribution to financiers / investors	1,824	-	14,593	16,417

Compensation of key management personnel

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

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Salaries and other benefits	7,209	9,486
Employee termination benefits	219	233
	<u>7,428</u>	<u>9,719</u>

13 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>Notes</i>	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>
Irrevocable commitments to advance financing	13.1	181,393	210,819
Commitments for investment properties	13.2	-	18,192
Commitments against capital expenditure	13.3	649	-
		<u>182,042</u>	<u>229,011</u>

13.1 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.

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

13.3 This represents commitment towards implementation of IT projects.

13 COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

- a) The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and, based on legal counsel advice received, believes it is less than probable that such actions taken by counter parties would succeed, except for cases against which a provision of AED 2 million (31 December 2019: AED 1 million) has been made.
- b) As at 30 September 2020, the Group had a contingent liability for proposed Directors' remuneration of AED Nil (31 December 2019: AED 1.12 million). Directors' remuneration, which is governed by UAE Federal Law No (2) of 2015, of AED Nil (2019: AED 1.16 million) was approved at Annual General Meeting (AGM) on 22 June 2020 and was paid AED Nil (2019: AED 1.16 million) during the period ended 30 September 2020.

14 COVID-19 AND EXPECTED CREDIT LOSS (ECL)

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In response, governments and central banks have launched economic support and relief measures (including payment reliefs) to minimize the impact on individuals and corporates.

In the determination of Q3 2020 ECL, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the Covid-19 pandemic.

Identifying whether a significant increase in credit risk (SICR) has occurred for IFRS 9

Under IFRS 9, loans are required to be moved from Stage 1 to Stage 2 if and only if they have been the subject of a SICR since origination. A SICR occurs when there has been a significant increase in the risk of a default occurring over the expected life of a financial instrument.

The Group continues to assess borrowers for other indicators of unlikeliness to pay, taking into consideration the underlying cause of any financial difficulty and whether it is likely to be temporary as a result of Covid-19 or longer term.

During 2020, the Group has initiated a programme of payment relief for its impacted customers by deferring profit/principal due for a period of one month to six months. These payment reliefs are considered as short-term liquidity to address borrower cash flow issues. The relief offered to customers may indicate a SICR. However, the Group believes that the extension of these payment reliefs do not automatically trigger a SICR and a stage migration for the purposes of calculating ECL, as these are being made available to assist borrowers affected by the Covid-19 outbreak to resume regular payments. At this stage sufficient information is not available to enable the Group to individually differentiate between a borrowers' short term liquidity constraints and a change in its lifetime credit risk. This approach is consistent with the expectations of the Central Bank of UAE as referred to in the TESS notice.

The accounting impact of the onetime extension of credit facilities due to Covid-19 has been assessed and has been treated as per the requirements of IFRS 9 for modification of terms of arrangement.

Reasonableness of Forward Looking Information and probability weights

Any changes made to ECL to estimate the overall impact of Covid-19 is subject to very high levels of uncertainty as limited forward-looking information is currently available on which to base those changes.

The Group has previously performed historical analysis and identified key economic variables impacting credit risk and ECL for each portfolio and expert judgement has also been applied in this process. These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Forecast of these economic variables (the "base, upside and downside economic scenario") are obtained externally on a quarterly basis.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

14 COVID-19 AND EXPECTED CREDIT LOSS (ECL) (continued)

Analysis of clients benefitting from payment deferrals

The table below contains analysis of the deferred amount and outstanding balances of UAE clients benefitting from deferrals.

	Total AED'000
At 30 September 2020 (unaudited)	
Deferral Amount	
Islamic Financing	29,938
	<hr/>
Exposures	
Islamic Financing	240,416
	<hr/>
Customer count	50
	<hr/>

As per the requirements of the Central Bank of UAE, the Group has divided its customers benefitting from payment deferrals into two groups as follows:

Group 1: includes those customers that are not expected to face substantial changes in their creditworthiness, beyond liquidity issues and are temporarily and mildly impacted by the Covid-19 crisis.

For these clients, the payment deferrals are believed to be effective and thus the economic value of the facilities is not expected to be materially affected. These customers will remain in their current IFRS 9 stage, at least for the duration of the crisis, or their distress, whichever is shorter.

Group 2: includes those customers that are expected to face substantial changes in their creditworthiness, in addition to liquidity issues that will be addressed by payment deferrals.

For these customers, there is sufficient deterioration in credit risk to trigger IFRS 9 stage migration.

The Group continues to monitor the creditworthiness of these customer, particularly indications of potential inability to pay any of their obligations as and when they become due. The Group does not have these customers.

The impact of Covid-19 crisis continues to filter through into the real economy. In view of this, the Group has taken a proactive approach and on an ongoing basis for all customers, the Group continues to consider the severity and extent of potential Covid-19 impact on economic sectors and outlook, cash flow, financial strength, agility and change in risk profile along with the past track record and ongoing adaptation. Accordingly, all staging and grouping decisions are subject to regular review to ensure these reflect an accurate view of the Group's assessment of the customers' creditworthiness, staging and grouping as of the reporting date.

Outstanding balances and related ECL of UAE customers

The table below is an analysis of outstanding balances and related ECL of UAE customers that are benefitting from payment deferrals.

	Total AED'000
Group 1	
Islamic Financing and Investing assets	240,416
Less: Expected credit Losses	(20,000)
	<hr/>
	220,416
	<hr/>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

14 COVID-19 AND EXPECTED CREDIT LOSS (ECL) (continued)

The total changes in Exposure at Default (EAD) since December 2019

Below is an analysis of total changes in EAD since 31 December 2019 on UAE clients benefitting from payment deferrals.

	Total AED'000
EAD as at 1 January 2020	243,704
Additions during the period	-
Repayments / de-recognition during the period	(3,288)
EAD as at 30 September 2020	240,416

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

15 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 the period end.

At 30 September 2020 (Unaudited)

	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 balances with banks	129,020	-	-	129,020	76,246	-	35,373	240,639
Islamic financing and investing assets	241,103	43,098	79,861	364,062	1,420,784	460,962	-	2,245,808
Investment securities	-	-	7,778	7,778	-	-	-	7,778
Investment properties	82,108	82,108	164,217	328,433	1,300,728	212,742	-	1,841,903
Investments in an associate	-	-	-	-	214,540	-	-	214,540
Other assets	18,243	967	16,255	35,465	26,553	-	-	62,018
Furniture, fixture and office equipment	-	-	-	-	-	-	15,979	15,979
Total assets	470,474	126,173	268,111	864,758	3,038,851	673,704	51,352	4,628,665
Liabilities								
Investment deposits and other Islamic financing	53,318	187,210	77,699	318,227	912,464	2,385,754	-	3,616,445
Term Islamic financing	6,877	6,370	12,517	25,764	60,629	83,451	-	169,844
Employees' end of service benefits	-	-	-	-	-	-	3,304	3,304
Other liabilities	66,296	8,804	170,552	245,652	34,711	-	-	280,363
Total liabilities	126,491	202,384	260,768	589,643	1,007,804	2,469,205	3,304	4,069,956
Commitments	6,051	72,194	10,784	89,029	93,013	-	-	182,042
Net liquidity gap	337,932	(148,405)	(3,441)	186,086	1,938,034	(1,795,501)	48,048	376,667
Cumulative net liquidity gap	337,932	189,527	186,086	186,086	2,124,120	328,619	376,667	376,667

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 30 September 2020 (Unaudited) (continued)

15 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

At 31 December 2019

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