

Annual Report 2020



Table of Contents

05	About Amlak
06	Chairman's Message
08	CEO's Message
10	Board of Directors
11	Executive Management
13	What drives us forward
14	Amlak Through the Years
16	Strategy
17	Corporate Governance
18	Risk Management
20	Products & Services
21	Corporate Social Responsibility (CSR)
22	Financial Trends
29	Internal Shari'ah Supervision Committee's Report
30	Report of Directors
32	Independent Auditor's Report
40	Consolidated Financial Statements

About Amlak

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

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

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

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

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

Past Awards include:

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

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

Chairman's Message



On behalf of the Board of Directors, I am pleased to present Amlak Finance's annual report for 2020. This report outlines our financial results, key achievements, and successful activities throughout the past year.

2020 was undoubtedly a difficult year for the UAE and other countries around the region – and indeed, around the globe – as a result of the enormous and unprecedented economic challenges posed by the ongoing Covid-19 pandemic.

Amlak's financial results for the year are reflective of this tough economic environment. For the year ending on December 31, 2020, Amlak and its subsidiaries reported a net loss of AED 438 million (AED 320 million in 2019). Revenues, however, increased to AED 283 million from AED 279 million in 2019 excluding fair value losses on investment properties and gain on debt settlement. Amlak executed debt settlement auctions during the year which was a new initiative and recorded a gain of AED 129 million. Shareholder equity stands at AED 245 million as at 31 December 2020.

Going forward, however, there is reason to be optimistic. At the

close of 2020 signs of economic recovery were encouraging and accelerated as vaccination efforts picked up pace and 'normal' economic activities resumed. Without a doubt, this recovery will extend to the real estate sector, which we believe will influence our financial performance in 2021.

Throughout the year, we accomplished a number of milestones that we, as an organization, have much to be positive about. For one, we were successful in obtaining the approval of our creditors. This has allowed Amlak to operate with considerably more flexibility than in the past and focus on areas such as business growth and development.

During the pandemic however, our focus was – and very much remains – on the safety and wellbeing of Amlak Finance's employees. We are committed to ensuring that as an organization we remain productive and connected even while working remotely.

As we head into 2021, Amlak is looking forward to unlocking new opportunities that will enable us to navigate the challenging market realities whilst refocusing on our broader strategy to steer the company towards a brighter future. Completing all renegotiations of our debt restructuring with our financiers gives us greater flexibility as a company and will enable us to further improve operational and financial performance.

Our long-term goal is to continue sustainable growth for Amlak Finance. Generating value for our shareholders, providing leading customer service, nurturing our employees and implementing prudent risk management will continue to be at the top of our corporate agenda.

On behalf of the Board of Directors, I would like to express my sincere gratitude for His Highness Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and ruler of Dubai, for his aspirational leadership and vision and drive for excellence across all sectors in the UAE.

I would also like to express my heartfelt thanks to the management and employees for their dedication and hard work, and to our customers for their continued loyalty and support. It is only with their contributions that we steered Amlak Finance confidently through what has been a turbulent year globally.

Ali Ibrahim Mohammad
Chairman of the Board

CEO's Message



In light of the ongoing pandemic, the world is facing one of the most challenging times of modern history. 2020 was an unprecedentedly challenging year, which we at Amlak Finance had to navigate through along with the region and the world. With that in mind, it is important that we begin by expressing our collective and heartfelt thoughts for those in our communities that have been affected – directly and indirectly alike – by this global pandemic.

As an organization, we responded well to the challenges. A primary aspect of this response was taking swift action to allow our employees to work from home and providing them with the necessary tools and processes to ensure that we remain productive and connected during these challenging times. Throughout the pandemic, the safety and wellbeing of our employees was our top priority. We shared a COVID-19 Corporate Support Package, which offered a wide range of complimentary services to provide medical information regarding COVID-19. As the current situation remains dynamic, we must remain vigilant in order to overcome the challenges presented by this health crisis.

Despite the disruption cause by the pandemic, we were able to maintain operational resilience and managed to achieve a number of important business milestones over the course of the year. We were successful in obtaining the approval of our creditors in line with the broader Amlak Finance strategy. This resolution, allowed us to be more flexible despite the fluid market conditions, while allowing us to focus on business growth and development. Furthermore, we were also successful in fully settling high cost tranche A financiers in the third quarter of

last year. This was another key achievement for Amlak in 2020 – it was a meticulously planned move that has further enabled us to advance closer towards our goals. We successfully concluded a debt settlement auction in 2020, which was a new initiative and recorded a gain of AED 129 million.

For the year ending on December 31, 2020, the total exposure of AED 257 million related to three financiers was settled with AED 206 million of investment deposits and AED 51 million of Mudaraba Instrument.

In June, we also announced a strategic collaboration with the Dubai Land Department, which allows customers to invest in ready and well-maintained properties listed by Amlak Finance via easy installment payment plans for a tenure of up to six years. With many of our customers seeking ways to ease their financial burdens during this difficult time, this was a vital step. The installment plan initiative was a part of a wider effort to help customers navigate the challenges that were caused by the pandemic. Additionally, we implemented measures such as our COVID-19 relief plan, while simultaneously directing our efforts towards responding promptly to customer requests and improving – and expanding – our customer-centric initiatives.

These efforts have proven to be successful and have had a positive impact on our business. Our customer satisfaction rate for 2020 was 71 percent, which is higher than it has ever been before. This is a great result, however, our work is ongoing, and we will continue to make concerted efforts to further enhance our customer experience.

Another significant milestone was Amlak's relocation to Grosvenor Business Tower. This move is important – from a strategic perspective – and I am pleased that the relocation happened smoothly without any intermittent disruption to our customers or internal services.

Looking to the future, we launched a company-wide project – the Business Realignment Roadmap, which is aimed at renewing our focus on growth, value-creation and gearing the company towards financial sustainability.

As we move into 2021, there are surely some challenges that lie ahead, considering the ongoing disruption caused by the pandemic. However, we remain optimistic and confident about future opportunities. We couldn't have accomplished what we did without the commitment and hard work of our staff, who continue to support Amlak Finance with a reduced remuneration that helped control costs early on in the pandemic.

In closing, I would like to thank the Board of Directors, the Management Team and all of Amlak's employees for their unwavering support and dedication during these unprecedented times.

I would also like to make a special mention for our loyal customers, shareholders and stakeholders for their continued trust and support in us.

Arif Alharmi Albastaki
CEO

Board of Directors



Mr. Ali Ibrahim Mohammad
Chairman



Mr. Essamuddin Galadari
Vice-Chairman



Mr. Hesham Abdulla Al Qassim
Member of the Board



Mr. Farooq Mahmood Arjomand
Member of the Board



**Major General Ahmad Hamdan
Bin Dalmook**
Member of the Board



Mr. Khalid Al-Halyan
Member of the Board



Mr. Mostafa Ismail Karam
Member of the Board

Executive Management



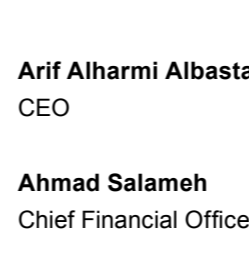
Arif Alharmi Albastaki
CEO



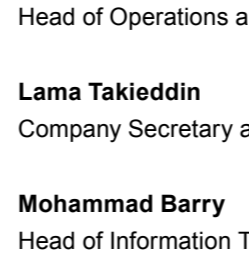
Ahmad Salameh
Chief Financial Officer



Ali Al Shamali
Head of Operations and IT



Lama Takieddin
Company Secretary and Sharia



Mohammad Barry
Head of Information Technology

Mohammed Al Mazam
Head of Collections



Muhammad Sajid Latif
Head of Finance



**Muna Kadhem Mohammed
Abdulla Alshams**
Head of Compliance & Control



Nilesh Dutta
Head of Strategy and
Acting Head of HR & Admin



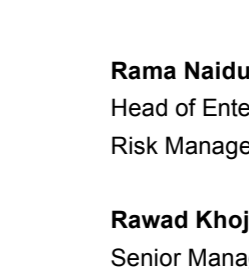
Nishma Chandulal Nagaria
Acting Head of Internal Audit



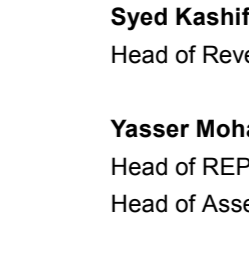
Rama Naidu
Head of Enterprise
Risk Management



Rawad Khoja
Senior Manager Legal



Syed Kashif Hussain
Head of Revenue



Yasser Mohamed Assar
Head of REPPA and
Head of Asset Management

What drives us forward



Vision

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



Mission

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

Our Corporate Values:



Customer Centricity

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



Integrity

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



Innovation

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



Nurturing People

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



Value Creation

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



Social Responsibility

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

Amlak Through the Years

2000

Incorporated as a private shareholding company in Dubai, UAE.

2004

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

2005

- Rights issue.
- Successfully launched Sukuk.

2006

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

2007

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

2008

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

2009 — 2013

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

- Continue serving financier.
- Effective Portfolio management.
- Robust liquidity management.
- Cost rationalization.
- Negotiated significant reduction in liabilities & commitments.
- Protecting Shareholders' value.

2014

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

2015

Resumption of share trading on DFM in June. Redemption of AED 200 Mn of Contingent Convertible Instrument (CCI) within the first year after restructuring Advance Payment of AED 558 Mn to Financiers.

2016

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

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

2017

CCI Redemption of AED 100 Mn.

2018

Advance payment of AED 684 million to financiers

2019

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

2020

- Debt restructuring completed in 2020.
- Debt settlement of AED 257 million and full settlement with three financier.
- Partial exit from Amlak KSA through IPO generating AED 98.3 million.
- Repayment of AED 157 million to financiers (Tranche B) in 2020 and full settlement of liquidity support providers (Tranche A) in 2020
- Amlak's Egypt affiliate records 68% increase in profit from previous year

Strategy

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



Growth

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

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

Funding

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

Amlak has successfully completed restructuring with its financiers on the existing financing facilities while it continues to explore innovative financing structures with a view to achieve a sustainable capital structure.



Value Propositions

In 2021, differentiated products based on market needs will be the business driver. Innovative products, a full spectrum of real estate services and outstanding customer service will be the focus to set us apart in a very competitive landscape.



Organization Capabilities

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



Corporate Governance

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

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

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

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

Current Board membership includes:

- Mr. Ali Ibrahim Mohammad
Chairman of the Board
- Mr. Essamuddin Galadari
Vice-Chairman
- Mr. Khalid Salim Al-Halyan
- Mr. Farooq Mahmood Arjomand
Member
- Mr. Hesham Abdulla Al Qassim
Member
- Major General Ahmad Hamdan Bin Dalmook
Member
- Mr. Mostafa Ismail Karam
Member

Board of Director's Committees:

The Board is collectively responsible for the long term success of Amlak Finance and delivery of sustainable shareholder value. Its role is to provide leadership and direction to the organization within a framework of discretion and effective controls which enables risks to be identified, assessed and managed.

Amlak's Board Committees are:

- Audit Committee
- Risk Committee
- Nomination and Remuneration Committee

Executive Management Committees:

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

Amlak's Executive Managements Committees are:

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

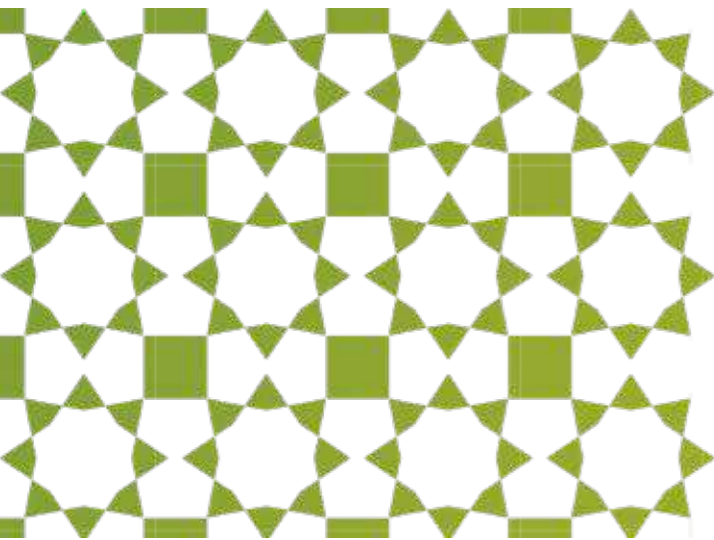
Risk Management

Enterprise Risk Management

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

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

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



Risk Management Philosophy / Strategy

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

1st Line of Defense

Business Line management responsible for identification and control of risk.

2nd Line of Defense

Control functions - Enterprise Risk Management and Compliance.

3rd Line of Defense

To provide independent assurance.

Risk Appetite

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

Risk Management Approach:

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

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

Amlak's Risk Management Framework

Risk Mitigation

Identifying existing and new mitigation factors to effectively manage risks.

Risk Response Strategies

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

Risk Identification

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

Risk Assessment

Overall process of risk measurement and risk evaluation.

Risk Reporting

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

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

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

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

Products & Services

For eighteen years, Amlak Finance has been the real estate specialist providing Shari'a compliant property financing solutions, designed to meet the rapidly evolving ecosystem comprising real estate markets and customer demands.

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

Our current suite of products & services are as follows:

Istithmari

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

Ijarah

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

Double Your Property

This product has been designed for UAE resident investors who have own a property in UAE to avail an opportunity to double their property portfolio. The product offers eligible investors to unlock their equity and increase their real estate returns through attractive financing terms from Amlak.

Amlak will facilitate the second investment process from offering its real estate portfolio to financing the transaction. In addition, investors can also avail professional property management services.

Tatweer

Tatweer is a product aimed at financing under-construction properties for investors as well as for end users.

Finance is supplemented with a full suite of property management services that

come into effect post completion and handover of the property.

Private Construction Finance

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

Corporate Social Responsibility (CSR)

Over the past few years, Amlak Finance has been widely recognized for its efforts in Corporate Social Responsibility (CSR). This includes having achieved the Dubai Chamber of Commerce & Industry's prestigious CSR Label with a score higher than the industry average for two consecutive years. Despite the fact that many of our activities were put on hold in 2020, we remain fully committed towards CSR, as it is embedded as an integral part of our corporate culture and plays a key role in our everyday business operations.

Some of our key CSR initiatives of 2020 include:

Bake Sale in Collaboration with the Al Noor Training Centre for Children with Disabilities.

Before the COVID-19 related lock down, we arranged our annual Bake Sale in collaboration with Al Noor Training Centre for Children with Disabilities. All the baked goods will be made by students who have been given sheltered employment at the Centre. With the generous contributions of our employees, we were able to contribute positively to Al Noor's quest of helping students achieve greater independence in society.

Participation in the Ramadan Campaign by the Zakat Fund & Abu Dhabi University: 'Our Youth Our Responsibility, Our Zakat our Unity'
Amlak Finance invited staff and customers to participate in the annual Ramadan campaign for university students entitled "Our Youth Our Responsibility, Our Zakat Our Immunity". The campaign aims to financially support 500 deserving students – both nationals and non-nationals for their higher education.

Dubai Fitness Challenge 30 x 30

The Amlak Team participated enthusiastically in the Dubai Fitness Challenge 30 x 30 and competed alongside other corporate teams from all over Dubai. Team members committed to completing 10,000 steps daily for 30 days. Physical activity was tracked and recorded on the STEPPI app. The top champions were recognized. Together as a team, the total distance covered via steps was 3,021 KM!

COVID Support Package by Zahra Hospital

A COVID-19 Corporate Support Package (launched by Al Zahra Hospital Dubai), that offers a range of complimentary services to provide up-to-date medical information about COVID-19 was shared with all employees. This included a COVID-19 Hotline for anyone that has questions or requires information about COVID-19, an online information centre, as well as a

symptom-checker which provides users with guidelines of what to do next based on their current symptoms. The complete list of complimentary COVID related support services was sent out to all staff.

Daily Newsletter on UAE COVID-19 related Developments

As we live in unprecedented times, a daily snapshot was sent out to all Amlak employees, containing the latest updates in the UAE with regard to COVID-19 related developments. This contained daily headlines about the evolving situation, such as new laws, rules and regulations, government initiatives and other announcements, as well as updates which may have a personal or professional impact.

Amlak Go Green

Green Weeks:

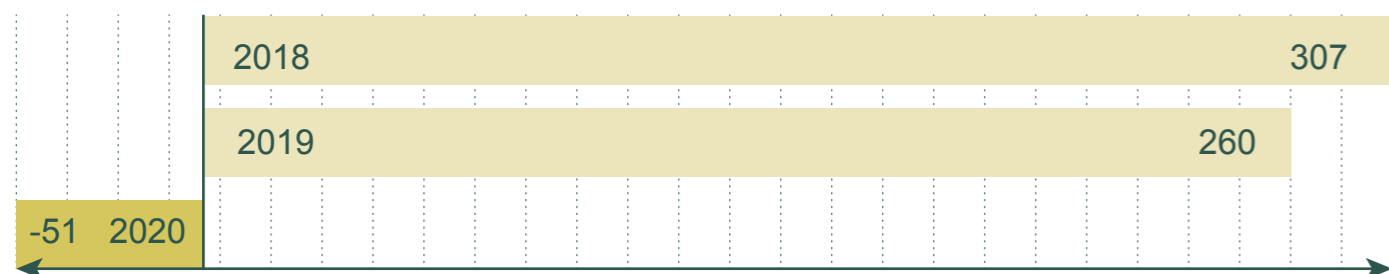
While Amlak continues to automate more and forms in efforts to drive reduction in paper use, two Green Weeks were held in the last year, each one being a two-week plastic free period in the workplace. Our goal as a corporate citizen is to try and reduce Amlak's waste output each year.

Financial Trends

I. Group Income Statement (cont'd)

AED in Mn

1. Total Income*

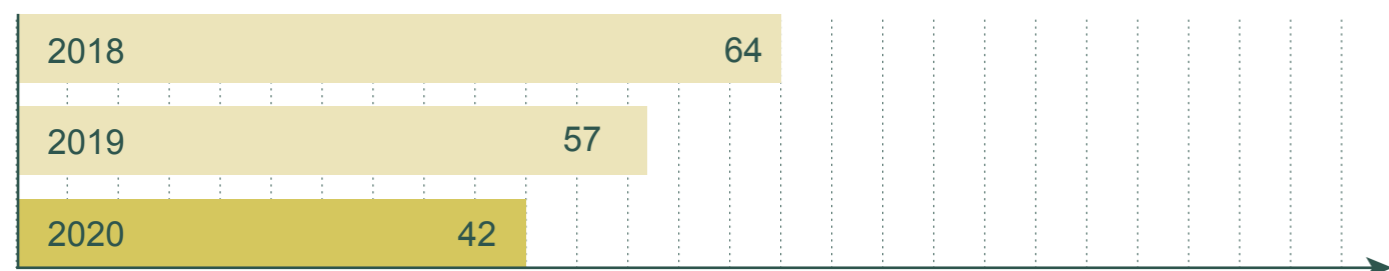


*Including Share of Results

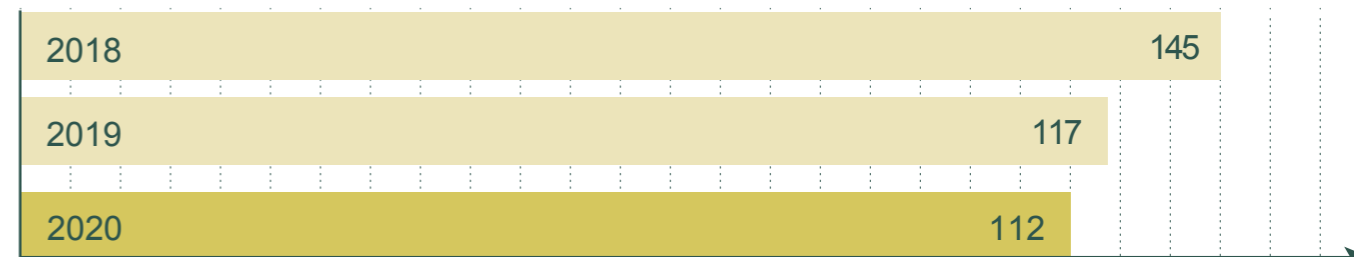
2. Income from Financing and Investing Assets



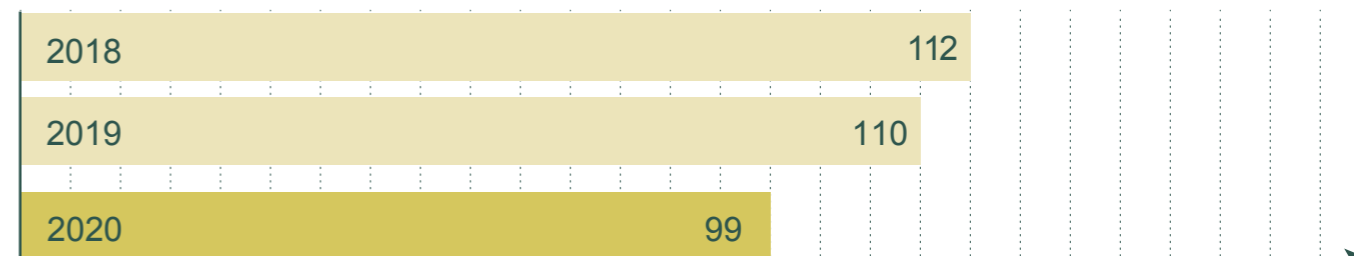
3. Rental Income



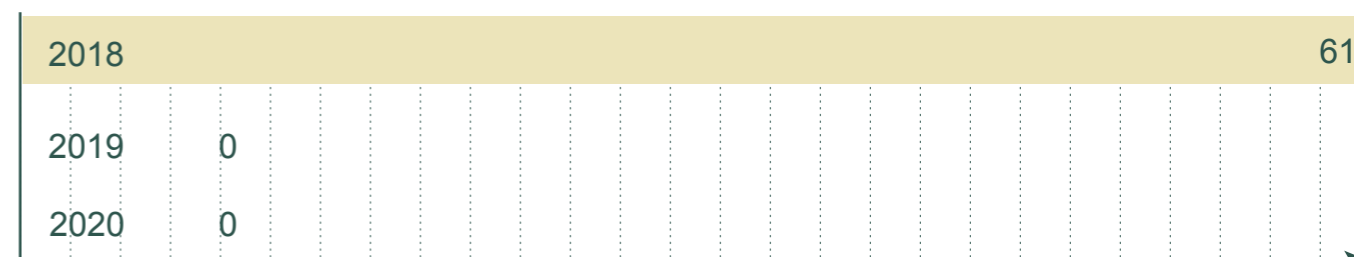
4. Operating Expenses



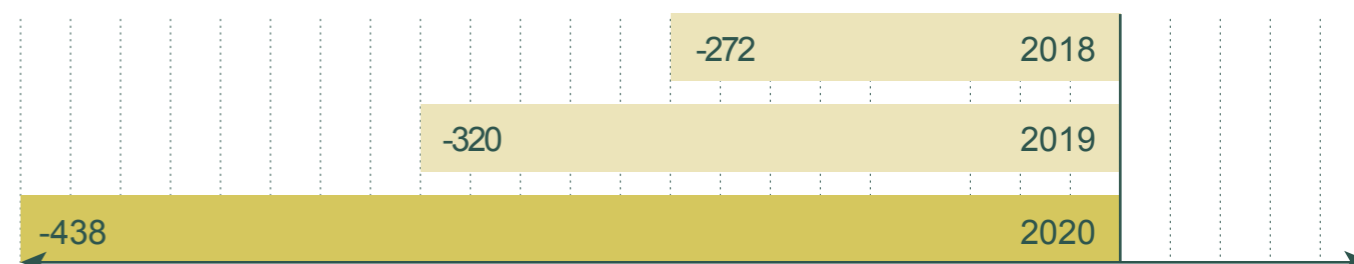
5. Distribution to Financiers/ Investors



6. Net Gain on Sale of Properties Under Development



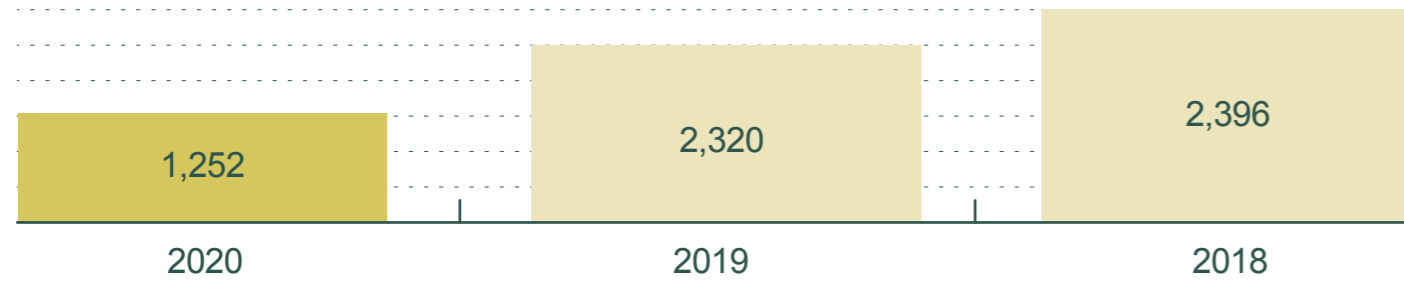
7. Profit / Loss for the year*



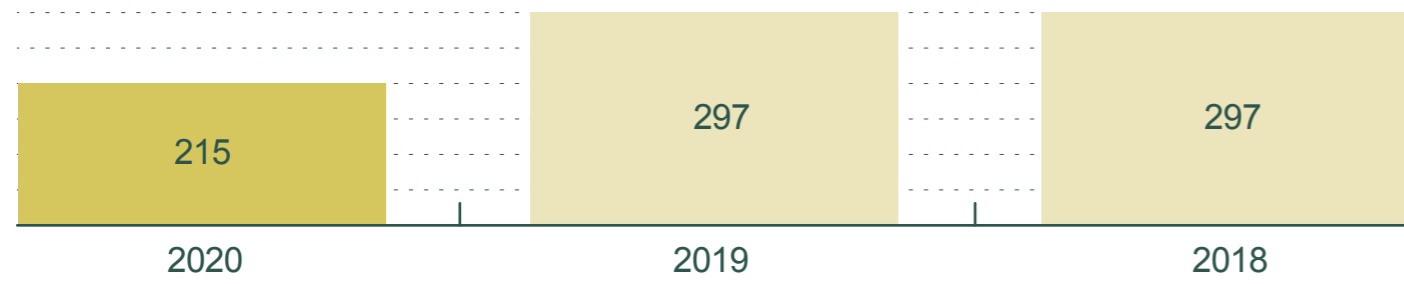
II. Group Balance Sheet

1. Real Estate Investments

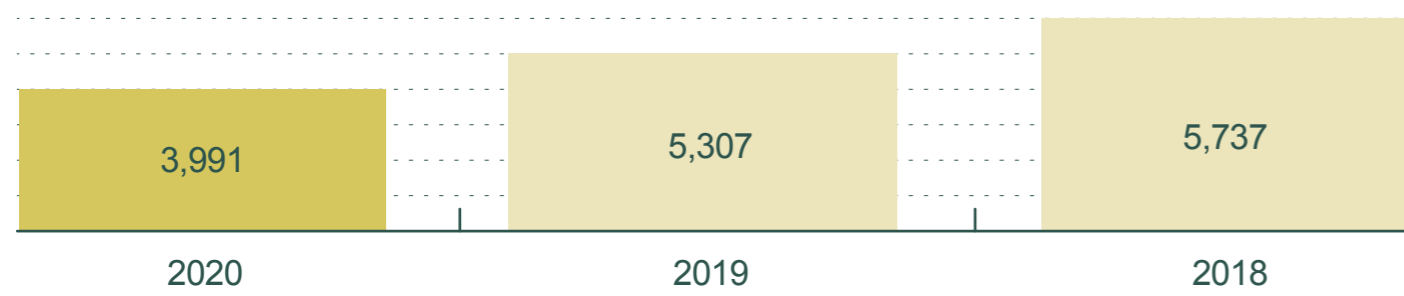
AED in Mn



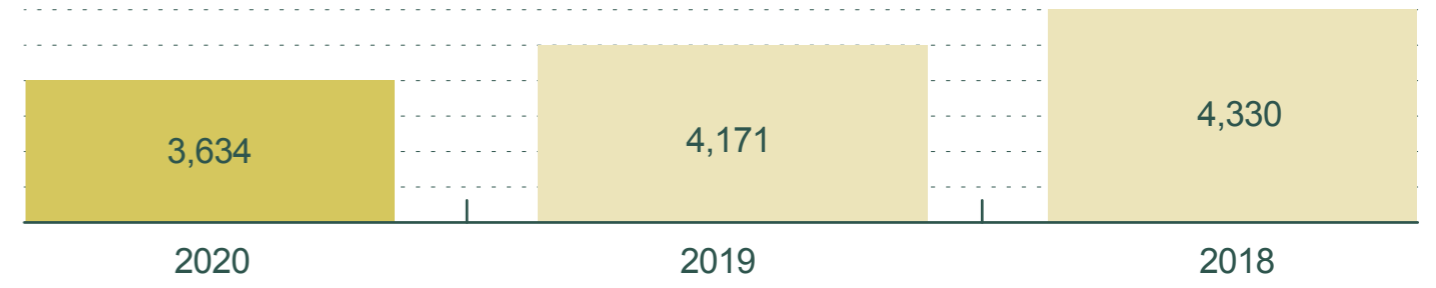
2. Corporate Investments



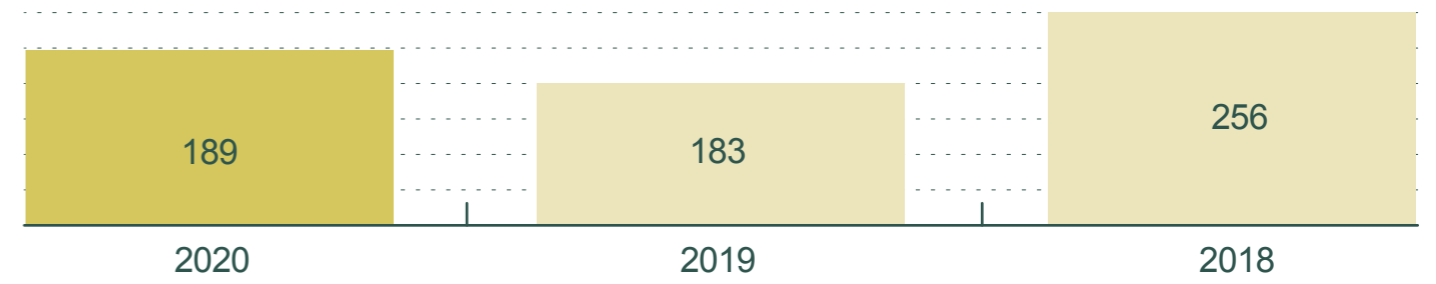
3. Total Assets



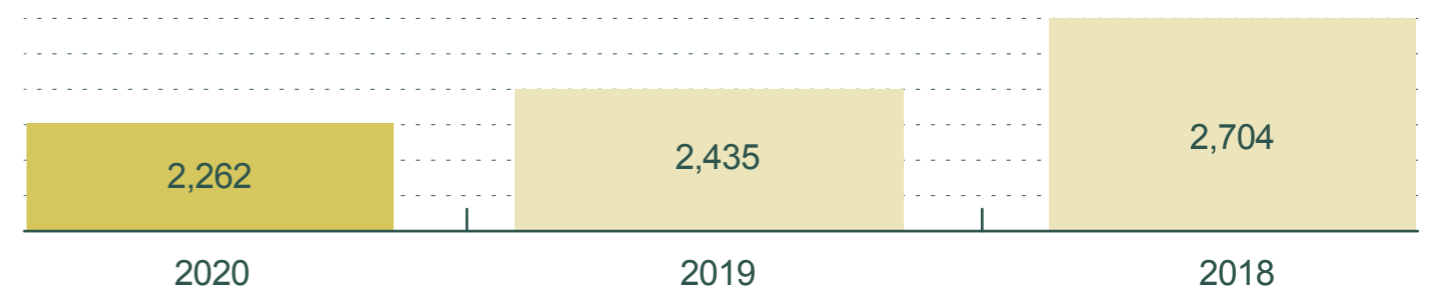
4. Investment Deposits and Other Islamic Financing



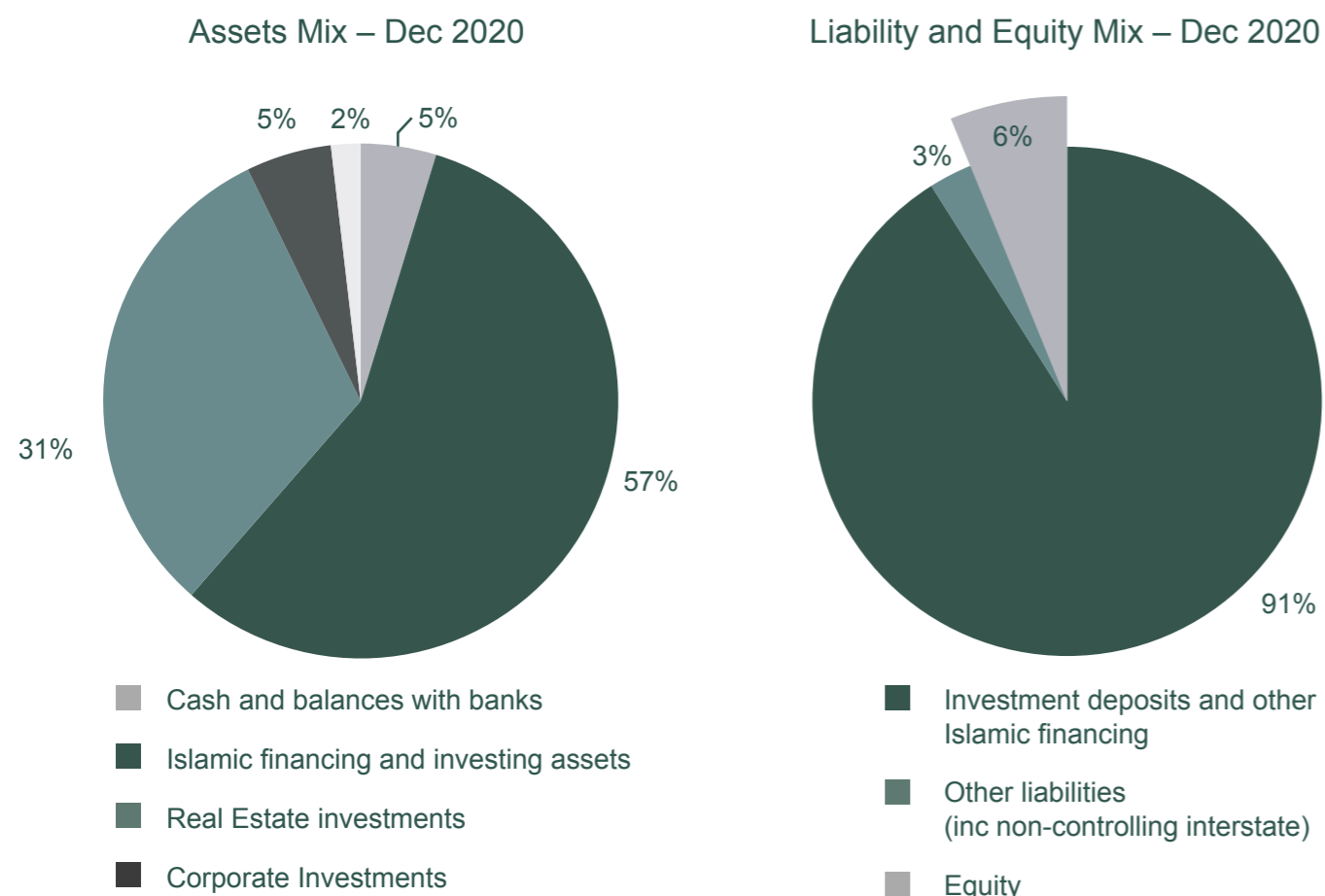
5. Cash and Balances with banks



6. Islamic financing and investing assets

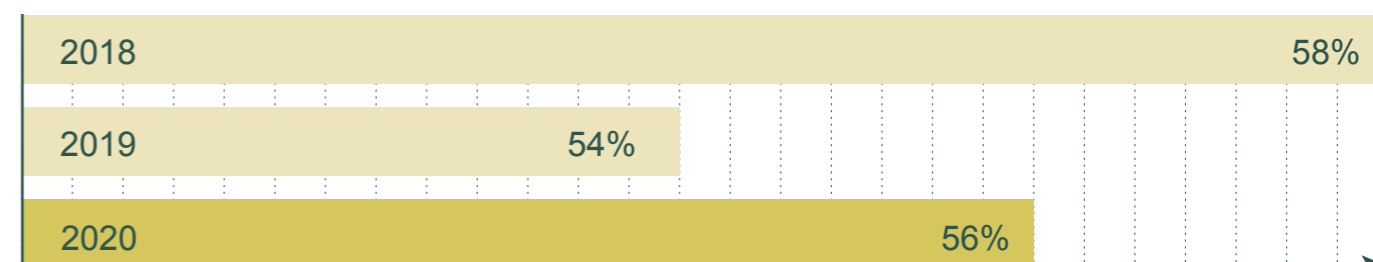


Group Balance Sheet (continued)



III. Financial Ratios

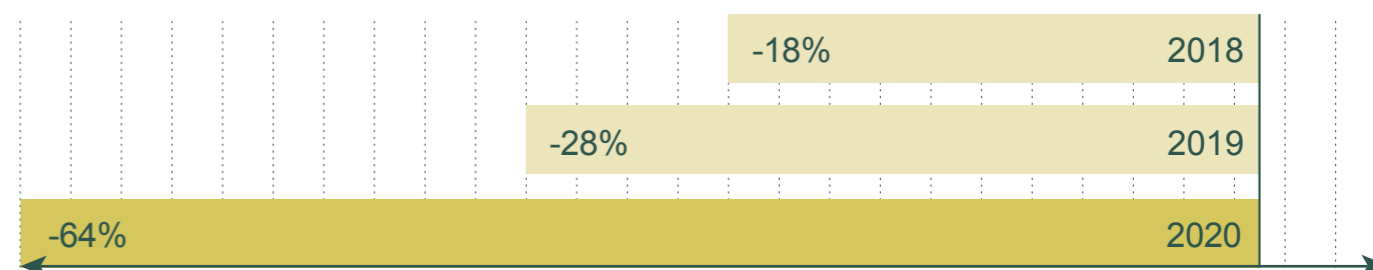
1. Net Financing to Deposit Ratio



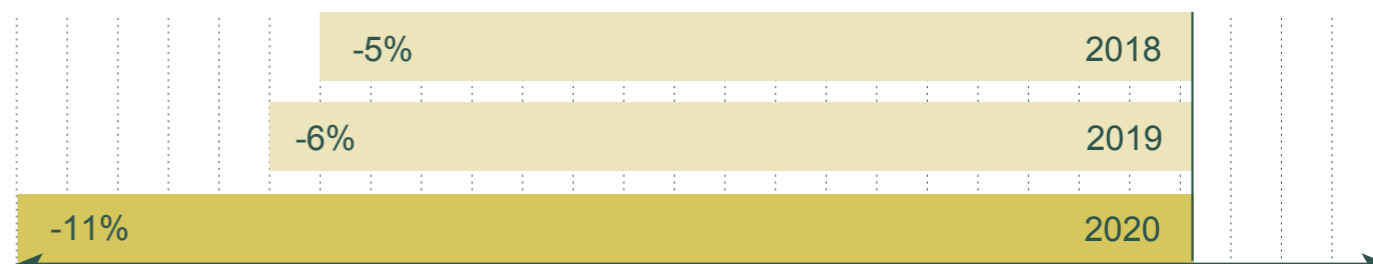
2. Liquid Assets to Total Assets Ratio



3. Return on Equity (ROE)

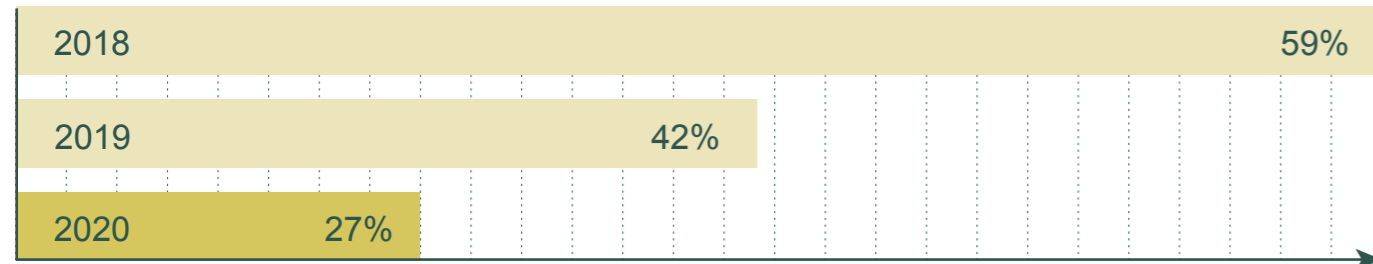


4. Return on Assets (ROA)

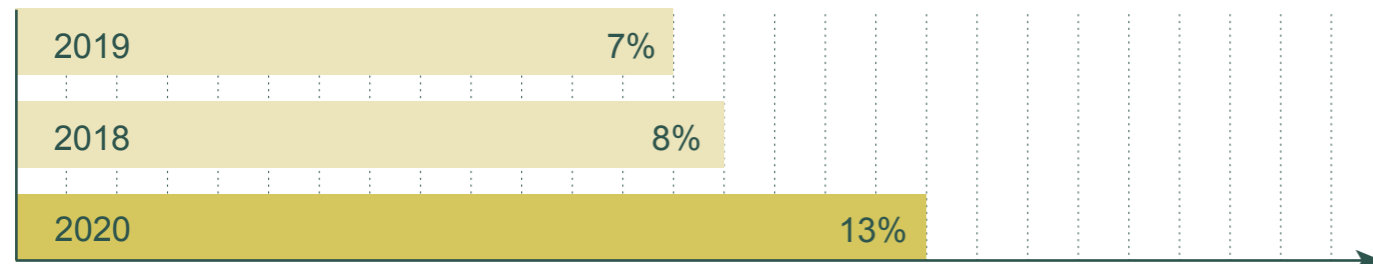


Financial Ratios (continued)

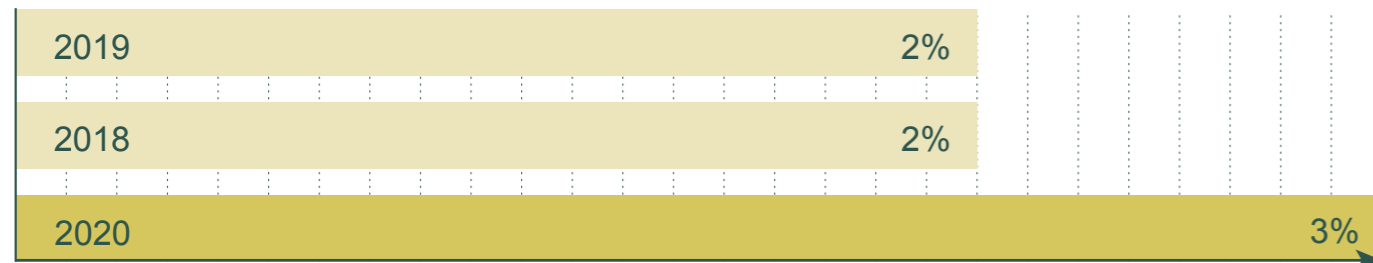
5. Cost to Income Ratio



6. Non-performing financing to total asset ratio



7. Net Profit Margin



Annual Report of the Internal Shari'ah Supervision Committee of Amlak Finance PJSC

Issued on: 25 February 2021

To: Shareholders of Amlak Finance PJSC ("Amlak")

After greetings,

Pursuant to requirements stipulated in the relevant laws, regulations and standards ("the **Regulatory Requirements**"), the Internal Shari'ah Supervision Committee of Amlak ("ISSC") presents to you the ISSC's Annual Report for the financial year ending on 31 December 2020 ("Financial Year").

1. Responsibility of the ISSC

In accordance with the Regulatory Requirements and the ISSC's charter, the ISSC's responsibility is stipulated as to:

- undertake Shari'ah supervision of all businesses, activities, products, services, contracts, documents and business charters of Amlak; and Amlak's policies, accounting standards, operations and activities in general (to the extent of what was presented to the ISSC), memorandum of association, charter, financial statements, allocation of expenditures and costs, and distribution of profits between financiers and shareholders ("Amlak's Activities") and issue Shari'ah resolutions in this regard, and
- determine Shari'ah parameters necessary for Amlak's Activities, and Amlak's compliance with Islamic Shari'ah within the framework of the rules, principles, and standards set by the Higher Shari'ah Authority ("HSA") to ascertain compliance of Amlak with Islamic Shari'ah.

The senior management is responsible for compliance of Amlak with Islamic Shari'ah in accordance with the HSA's resolutions, fatwas, and opinions, and the ISSC's resolutions within the framework of the rules, principles, and standards set by the HSA ("Compliance with Islamic Shari'ah") in all Amlak's Activities, and the Board bears the ultimate responsibility in this regard.

2. Shari'ah Standards

In accordance with the HSA's resolution (No. 18/3/2018), and with effect from 01/09/2018, the ISSC has, to the best of its judgment, abided by the Shari'ah standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)

as minimum Shari'ah requirements, in all fatwas, approvals, endorsements and recommendations, relating to Amlak's Activities.

3. Duties Fulfilled by the ISSC During the Financial Year

The ISSC conducted Shari'ah supervision of Amlak's Activities by reviewing those Activities, and monitoring them through the internal Shari'ah Control Department and Internal Shari'ah Audit Department, in accordance with the ISSC's authorities and responsibilities, and pursuant to the Regulatory Requirements in this regard. The ISSC's activities included the following:

- Convening (4) meetings during the year.
- Issuing fatwas, resolutions and opinions on matters presented to the ISSC in relation to Amlak's Activities.
- Monitoring compliance of policies, procedures, accounting standards, product structures, contracts, documentation, business charters, and other documentation submitted by Amlak to the ISSC for approval.
- Ascertaining the level of compliance of allocation of expenditures and costs, and distribution of profits between investment accounts holders and shareholders with parameters set by the ISSC.
- Supervision through the Internal Shari'ah Control function and the Internal Shari'ah Audit function of Amlak's Activities including supervision of executed transactions and adopted procedures on the basis of samples selected from executed transactions, and reviewing reports submitted in this regard.
- Providing guidance to relevant parties in Amlak – to rectify (where possible) incidents cited in the reports prepared by internal Shari'ah Control Department and Internal Shari'ah Audit Department – and where applicable issuing of resolutions to set aside revenue derived from transactions in which non-compliances were identified for such revenue to be disposed towards charitable purposes.

g. Approving corrective and preventive measures related to identified incidents to preclude their recurrence in the future.

h. Where required, communicating with the Board and its subcommittees, and the senior management of Amlak (as needed) concerning Amlak's compliance with Islamic Shari'ah.

The ISSC sought to obtain all information and interpretations deemed necessary in order to reach a reasonable degree of certainty that Amlak is compliant with Islamic Shari'ah

4. Independence of the ISSC

The ISSC acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of Amlak. The ISSC received the required assistance to access all documents and data, and to discuss all amendments and Shari'ah requirements.

5. The ISSC's Opinion on the Shari'ah Compliance Status of Amlak

Premised on information and explanations that were provided to us with the aim of ascertaining compliance with Islamic Shari'ah, the ISSC has concluded with a reasonable level of confidence, that Amlak's Activities are in compliance with Islamic Shari'ah, except for the incidents of non-compliance observed, as highlighted in the relevant reports. The ISSC also provided directions to take appropriate measure in this regard.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year, to the extent of matters presented before the ISSC, obtained data, audited matters, observations made and response of Amlak to implementation of these observations.

Signatures of members of the Internal Shari'ah Supervision Committee of Amlak

Dr. Mohammad Abdul Rahim Sultan Al Olama
Chairman

Mr. Moosa Tariq Khoory
Executive Member

Dr. Azzedine Ben Zughaiba
Member

Report of Directors

Report of the directors

The Directors present their report and consolidated financial statements for the year ended 31 December 2020.

Principal activities

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

Results

The results of the Group for the year ended 31 December 2020 are set out in the attached consolidated financial statements.

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

Signed on behalf of the Board of Directors



15 March 2021
Dubai, United Arab Emirates

Independent Auditor's Report

The Shareholders of Amlak Finance PJSC

Dubai, United Arab Emirates

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **Amlak Finance PJSC** (the "Company") and **its subsidiaries** (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

Key audit matter	How the matter was addressed in our audit
Impairment of Islamic financing and investing assets	
<p>As at 31 December 2020, the Group's gross Islamic financing and investing assets amounted to AED 2.6 billion and the related impairment allowances amounted to AED 628 million, comprising AED 117 million against Stage 1 and 2 exposures and AED 511 million against exposures classified under Stage 3.</p> <p>The audit of the impairment of Islamic financing and investing assets is a key area of focus because of its size (representing 56 % of total assets) and due to the significance of the estimates and judgments used in classifying Islamic financing and investing assets into various stages, determining related allowance requirements, and the complexity of the judgements, assumptions and estimates used in the Expected Credit Loss models. Refer to Note 3 to the consolidated financial statements for the accounting policy, Note 2.5 for critical judgements and estimation used by management and Note 31 for the credit risk disclosure.</p> <p>The Group recognizes allowances for expected credit losses (ECLs) at an amount equal to 12-month ECL (Stage 1) or full lifetime ECL (Stage 2). A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.</p> <p>ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective profit rate. The Group employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD); and exposure at default (EAD), which are defined in Note 3 to the consolidated financial statements.</p>	<p>We obtained a detailed understanding of the Group's Islamic financing and investing assets business processes and the accounting policies of IFRS 9 Financial Instruments including the critical accounting estimates and judgments used. We have involved our subject matter experts to assist us in auditing the IFRS 9 ECL models as at 31 December 2020.</p> <p>We tested the design, implementation and operating effectiveness of the relevant controls which included testing:</p> <ul style="list-style-type: none"> ■ System-based and manual controls over the timely recognition of impaired Islamic financing and investing assets and advances; ■ Controls over the ECL calculation models; ■ Controls over collateral valuation estimates; and ■ Controls over governance and approval process related to impairment provisions and ECL Models including continuous reassessment by the management. <p>We understood and evaluated the theoretical soundness of the ECL model by involving our internal experts to ensure its compliance with the minimum requirements of the standard. We tested the mathematical integrity of the ECL model by performing recalculations. We assessed the consistency of various inputs and assumptions used by the Group's management to determine impairment.</p>

Independent Auditor's Report

To The Shareholders of Amlak Finance PJSC, Dubai (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment of Islamic financing and investing assets (continued)	
<p>The measurement of ECL amounts for exposures classified as Stage 1 and Stage 2 are carried out by the models with limited manual intervention, however, it is important that models (PD, LGD, EAD and macroeconomic adjustments) are valid throughout the reporting period. Exposures are classified as impaired as soon as there is doubt about the borrower's ability to meet payment obligations to the Group in accordance with the original contractual terms.</p> <p>Stage 3 in default Islamic financing and investing assets are measured on the basis of the present value of expected future cash flows including observable market price or fair value of the collateral. The impairment loss is calculated based on the shortfall in the Islamic financing and investing assets carrying value compared to the net present value of future cash flows using original effective profit rate. The factors considered when determining impairment losses on individually assessed accounts include the customer's aggregate borrowings, risk rating, value of the collateral and probability of successful repossession and the costs involved to recover the debts.</p> <p>The global outbreak of novel coronavirus (COVID 19) in early 2020 has caused disruptions in normal lives and businesses in many ways. Global economy and banking systems have been impacted significantly. Governments and banks in many jurisdictions have introduced extraordinary measures to alleviate the financial and economic impact of COVID-19, which include a range of different payment moratoriums to customers, liquidity support and capital relief by regulators.</p> <p>The impact of the Covid-19 pandemic and the resulting economic support and relief measurement programmes of governments and central banks have been incorporated in the Group's measurement of ECL. The Bank has updated its macro-economic forecasts and has applied portfolio-level ECL adjustments to wholesale and retail portfolios based upon affected portfolios and sectors.</p>	<p>For allowances against exposures classified as Stage 1 and Stage 2, we obtained an understanding of the Group's methodology, assessed the underlying assumptions and the sufficiency of the data used by the management. We assessed the Group's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages. For samples of exposures, we evaluated the appropriateness of the Group's staging.</p> <p>For forward looking assumptions used by the Group's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information.</p> <p>We selected samples of Islamic financing and investing assets and checked the accuracy of the Exposure at Default (EAD), appropriateness of the Probability of Default (PD) and calculations of the Loss Given Default (LGD) used by the management in their ECL calculations.</p> <p>We had discussions with management to understand the Group's assessment of the impact of Covid-19 and assessed the ECL overlays, which they had calculated. Furthermore, we assessed, as part of our credit review, if the allowances relating to significant Stage 2 and Stage 3 customers, including those customers who availed deferral, were reasonable.</p> <p>For exposures determined to be individually impaired, we tested samples of Islamic financing and investing assets and examined and assessed management's estimate of future cash flows, and reperformed the resultant allowance calculations. Further, we challenged the estimates and assumptions used by management around the LGD calculation for individually impaired exposures by testing the enforceability and adequacy of valuation of underlying collaterals and estimated recovery on default.</p>

Key audit matter	How the matter was addressed in our audit
Impairment of Islamic financing and investing assets (continued)	
<p>The Group has considered the extraordinary conditions and environment created by the pandemic, along with measures provided by the Central Bank of UAE under Targeted Economic Support Scheme (TESS) for determining estimated credit losses. The Group has also considered guidelines issued by the International Accounting Standards Board (IASB) on 27 March 2020 and Basel Committee issued on 4 April 2020 for classifying the exposures into the various stages and the related determination of ECL.</p>	<p>In addition to the above, for Forward Ijarah customers we reviewed project progress reports for the under-construction portfolio provided by management's real estate team and validated the management position on each project's status on a sample basis against the latest report from the Dubai Land Department.</p> <p>We reviewed the allowance against on-hold and active projects in the Forward Ijarah portfolio based on the following main criteria established by management based on their experience and market knowledge:</p> <ul style="list-style-type: none"> ■ Percentage of completion; ■ Developer history; and ■ Project negative equity. <p>We assessed the disclosure in the consolidated financial statements relating to this area against the requirements of IFRSs.</p>
Fair valuation of investment properties	
<p>Investment properties comprise 31% (2019: 44%) of the total assets of the Group. Investment properties are carried at AED 1.25 billion (2019: AED 2.32 billion) in the consolidated statement of financial position. The Group's investment properties are measured under the fair value model, with changes in fair value presented in the consolidated statement of profit or loss.</p> <p>Management determines the fair values of the investment properties on a quarterly basis and has used external third party specialists in accordance with the RICS Valuation - Professional Standards and the requirements of IFRS 13 Fair Value Measurement and take into account, where available, discounted cash flows and evidence of market transactions for properties and locations comparable to those of the Group's properties. The Group's portfolio comprises retail, offices and residential property. The valuation of an investment property at fair value is highly dependent on estimates and assumptions, such as realisable sales values, rental value, occupancy rate, discount rate, maintenance status, financial stability of tenants, market knowledge and historical transactions. Given the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we assessed this as a key audit matter.</p>	<p>We obtained an understanding of the Group's investment properties and the relevant controls over inputs and assumptions used by the Group in the valuation of the investment properties. In addition, our work performed included the below procedures, amongst others on the Group's valuations:</p> <ul style="list-style-type: none"> ■ We assessed the design and implementation and tested the operating effectiveness of the key controls over the estimation of the fair value of the investment properties; ■ We assessed the valuer's skills, competence, objectivity and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes; ■ We agreed the total valuation in the valuer's report to the amount reported in the consolidated statement of financial position; ■ We tested, on a sample basis, the accuracy of the standing data provided by the Group to the Valuers.;

Independent Auditor's Report

To The Shareholders of Amlak Finance PJSC, Dubai (Continued)

Key audit matter	How the matter was addressed in our audit
Fair valuation of investment properties (continued)	
<p>We utilised our internal real estate valuation specialists to review selected properties valued by the external valuers and internally by management and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement.</p> <p>Refer to the following notes in the financial statements for further detail:</p> <ul style="list-style-type: none"> ■ Note 3 – Significant accounting policies on investment properties; ■ Note 2.5 – Critical accounting judgement and key sources of estimation uncertainty of valuation of investment properties; and ■ Note 13 – Investment properties. 	<p>Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made.</p> <p>We reperformed the arithmetical accuracy of the valuations on a sample basis.</p> <p>We assessed the disclosures in the consolidated financial statements against the requirements of IFRSs.</p>

Other information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's

report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and re-

lated disclosures made by management. uments during the financial year ended 31 December 2019;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

Independent Auditor's Report

To The Shareholders of Amlak Finance PJSC, Dubai (Continued)

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Group's books of account;
- As at 31 December 2020, the accumulated losses of the Group exceeded 50% of its share capital. Article 302 of the UAE Federal Law No. (2) of 2015 requires that, under such circumstances, the Board of Directors of the Group should convene a General Assembly to take a special Decision to resolve the Group or to continue in the activity of the Group. This meeting will be held in April 2020;
- note 11 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2020;

- note 29 to the consolidated financial statements of the Group discloses material related party transactions, the terms under which they were conducted and principles of managing conflict of interests;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020, with any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and
- note 32 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2020.

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

Deloitte & Touche (M.E.)

Akbar Ahmad
Registration No. 1141
15 March 2021
Dubai
United Arab Emirates

Consolidated Financial Statements

Consolidated Statement of Income

For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Income from Islamic financing and investing assets	4	164,710	166,904
Fee income		4,630	4,654
Income on deposits		2,558	5,570
Fair value loss on investment properties	13	(462,964)	(18,241)
Rental income	13	42,115	57,498
Loss on sale of investment properties		(84,242)	(17,894)
Gain on debt settlement	17	129,005	-
Income on settlement with customers	20.2	87,383	23,314
Other income	5	46,017	21,571
		(70,788)	243,376
Impairment on:			
Islamic financing and investing assets	10	(204,257)	(102,506)
Investment properties	13	(60,165)	-
Other assets		(1,579)	(8,274)
Advances for investment properties	12	-	(146,000)
Amortisation of initial fair value gain on investment deposits	17	(123,331)	(96,362)
Fair value adjustment on investment deposits	17	213,125	-
Operating expenses	6	(112,008)	(117,445)
Share of results of an associate	14	19,579	16,958

The attached notes 1 to 33 form part of these consolidated financial statements.

LOSS BEFORE DISTRIBUTION TO FINANCIERS / INVESTORS

Distribution to financiers / investors

LOSS FOR THE YEAR

Attributable to:

Equity holders of the parent

Non-controlling interests

Loss per share attributable to equity holders of the parent

Basic loss per share (AED)

Diluted loss per share (AED)

Loss for the year

Other comprehensive income

Item that will be reclassified subsequently to profit or loss:

Exchange differences on translation of foreign operations

Other comprehensive income/(loss) for the year

Total comprehensive loss for the year

Attributable to:

Equity holders of the parent

Non-controlling interests

Notes	2020 AED'000	2019 AED'000
	(339,424)	(210,253)
7	(98,556)	(109,529)
	(437,980)	(319,782)
	(451,103)	(321,481)
27	13,123	1,699
	(437,980)	(319,782)
8	(0.30)	(0.22)
8	(0.30)	(0.22)
	(437,980)	(319,782)
	1,991	23,172
	1,991	23,172
	(435,989)	(296,610)
	(449,112)	(298,309)
	13,123	1,699
	(435,989)	(296,610)

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 AED'000	31 December 2019 AED'000
ASSETS			
Cash and balances with banks	9	189,090	183,115
Islamic financing and investing assets	10	2,262,043	2,434,858
Investment securities	11	8,420	7,769
Investment properties	13	1,251,854	2,319,794
Investment in an associate	14	206,123	288,946
Other assets	15	58,438	61,962
Furniture, fixtures and office equipment	16	15,299	10,848
TOTAL ASSETS		3,991,267	5,307,292
LIABILITIES AND EQUITY			
Liabilities			
Investment deposits and other Islamic financing	17	3,439,358	4,056,115
Term Islamic financing	18	194,354	115,062
Employees' end of service benefits	19	3,406	4,108
Other liabilities	20	109,618	323,290
Total liabilities		3,746,736	4,498,575
Equity			
Equity attributable to equity holders of the parent			
Share capital	21	1,500,000	1,500,000
Treasury shares	22	-	(88,848)
Statutory reserve	23	122,650	122,650
General reserve	24	122,650	122,650
Special reserve	25	99,265	99,265
Mudaraba Instrument	26	204,896	215,472
Mudaraba Instrument reserve	26	770,324	810,088
General impairment reserve		-	4,316
Cumulative changes in fair value		1,459	1,459
Foreign currency translation reserve		(299,108)	(301,099)
Accumulated losses		(2,277,605)	(1,778,975)
		244,531	706,978
Non-controlling interests	27	-	101,739
Total equity		244,531	808,717
TOTAL LIABILITIES AND EQUITY		3,991,267	5,307,292

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, results of operation and cash flows of the Group as of, and for the years presented therein.

Approved by the Board of Directors on 15 March 2021 and signed on its behalf by:



Chairman



Chief Executive Officer

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
OPERATING ACTIVITIES			
Loss for the year		(437,980)	(319,782)
Adjustments for:			
Depreciation	16	5,826	6,602
Share of results of an associate	14	(19,579)	(16,958)
Impairment on:			
Islamic financing and investing assets	10	204,257	102,506
Investment properties	13	60,165	-
Other Assets		1,579	8,274
Advances for investment properties	12	-	146,000
Fair value loss on investment properties	13	462,964	18,241
Amortisation of fair value adjustment on investment deposits	17	123,331	96,362
Fair value adjustment on investment deposits	17	(213,125)	-
Distribution to financiers/investors	7	98,556	109,529
Income on deposits		(2,558)	(5,570)
Loss on sale of investment properties		84,242	17,894
Gain on debt settlement		(129,005)	-
Gain on settlement of advance for investment properties		-	(21,274)
Gain on disposal of share in associate		(7,517)	-
Gain on settlement of receivable/liability		(87,383)	-
Provision for employees' end of service benefits	19	619	1,163
OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES:		144,392	142,987
Islamic financing and investing assets		4,057	141,486
Other assets		1,946	2,919
Other liabilities		(70,725)	20,048
Cash from operations		79,670	307,440
Employees' end of service benefits paid	19	(1,321)	(1,453)
Net cash generated from operating activities		78,349	305,987

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
INVESTING ACTIVITIES			
Dividend from an associate	14	11,592	16,557
Proceeds from sale of share in associate		98,327	-
Sale of investment properties		307,153	75,634
Movement in restricted cash flow	9	19,558	43,897
Addition to investment properties		(5,392)	(192,271)
Settlement of advance to properties		-	12,752
Settlement of receivable from customers		14,684	-
Proceeds from Wakala deposits		2,125,000	2,540,000
Placement of Wakala deposits		(2,194,000)	(2,515,000)
Purchase of furniture, fixtures and office equipment	16	(1,994)	(177)
Income on deposits		2,558	5,570
Net cash generated from / (used in) investing activities		377,486	(13,038)

FINANCING ACTIVITIES			
Receipt of Term Islamic financing		109,803	50,963
Repayment of Term Islamic financing		(32,715)	(28,808)
Investment deposits and other Islamic financing		(485,235)	(356,605)
Redemption of Mudaraba instrument		(19,291)	-
Payment to non-controlling interests		(5,404)	(6,295)
Directors' fees paid		-	(1,159)
Proceeds from sale of treasury shares		5,935	1,867
Net cash used in financing activities		(426,907)	(340,037)

	Notes	2020 AED'000	2019 AED'000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Foreign currency translation reserve		(3,395)	18,113
Cash and cash equivalents at the beginning of the year		58,111	87,086
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	83,644	58,111
Non-cash transactions:			
Transfer of investment property to Minority interest		111,577	-
Transfer of investment property in settlement of liability		86,204	-

Consolidated Statement in Changes of Equity

For the year ended 31 December 2020

Attributable to the equity holders of the parent

	Share Capital AED '000	Treasury Shares AED '000	Statutory Reserve AED '000	General Reserve AED '000	Special Reserve AED '000	Mudaraba Instrument AED '000
at 31 December 2019	1,500,000	(88,848)	122,650	122,650	99,265	215,472
Loss for the year	-	-	-	-	-	-
Other comprehensive income for the year*	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-
Funds paid to project owner**	-	-	-	-	-	-
Regulatory credit risk reserve	-	-	-	-	-	-
Debt Settlement	-	-	-	-	-	(10,576)
Adjustment (note 17.2)	-	-	-	-	-	-
Gain on debt settlement through equity (note 17.2)	-	-	-	-	-	-
Sale of treasury shares	-	88,848	-	-	-	-
Loss on sale of treasury shares	-	-	-	-	-	-
Non-controlling interest paid off	-	-	-	-	-	-
At 31 December 2020	1,500,000	-	122,650	122,650	99,265	204,896

Attributable to the equity holders of the parent

Mudaraba Instrument Reserve AED '000	General Impairment Reserve AED '000	Cumulative Changes in Fair Value AED '000	Foreign Currency Translation Reserve AED '000	Accumulated Losses AED '000	Total AED '000	Non controlling interest AED '000	Total Equity AED '000
810,088	4,316	1,459	(301,099)	(1,778,975)	706,978	101,739	808,717
-	-	-	-	(451,103)	(451,103)	13,123	(437,980)
-	-	-	1,991	-	1,991	-	1,991
-	-	-	1,991	(451,103)	(449,112)	13,123	(435,989)
-	-	-	-	-	-	(5,405)	(5,405)
-	(4,316)	-	-	4,316	-	-	-
(39,764)	-	-	-	-	(50,340)	-	(50,340)
-	-	-	-	-	-	-	-
-	-	-	-	31,050	31,050	-	31,050
-	-	-	-	-	88,848	-	88,848
-	-	-	-	(82,893)	(82,893)	-	(82,893)
-	-	-	-	-	-	(109,457)	(109,457)
770,624	-	1,459	(299,108)	(2,277,605)	244,531	-	244,531

The attached notes 1 to 33 form part of these consolidated financial statements.

Consolidated Statement in Changes of Equity (Continued)

For the year ended 31 December 2020

Attributable to the equity holders of the parent

Attributable to the equity holders of the parent

	Share Capital AED '000	Treasury Shares AED '000	Statutory Reserve AED '000	General Reserve AED '000	Special Reserve AED '000	Mudaraba Instrument AED '000
At 31 December 2018	1,500,000	(93,048)	122,650	122,650	99,265	215,472
Loss for the year	-	-	-	-	-	-
Other comprehensive income for the year*	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	-	-
Funds paid to project owner **	-	-	-	-	-	-
Sale of treasury shares	-	4,200	-	-	-	-
Loss on sale of treasury shares	-	-	-	-	-	-
Director's fee paid (note 30)	-	-	-	-	-	-
At 31 December 2019	1,500,000	(88,848)	122,650	122,650	99,265	215,472

* This relates to foreign exchange differences on translation of the Group's subsidiaries in Egypt.

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

Attributable to the equity holders of the parent

Mudaraba Instrument Reserve AED '000	General Impairment Reserve AED '000	Cumulative Changes in Fair Value AED '000	Foreign Currency Translation Reserve AED '000	Accumulat-ed Losses AED '000	Total AED '000	Non controlling interest AED '000	Total Equity AED '000
810,088	4,316	1,459	(324,271)	(1,454,033)	1,004,548	106,335	1,110,883
-	-	-	-	(321,481)	(321,481)	1,699	(319,782)
-	-	-	23,172	-	23,172	-	23,172
-	-	-	23,172	(321,481)	(298,309)	1,699	(296,610)
-	-	-	-	-	-	(6,295)	(6,295)
-	-	-	-	-	4,200	-	4,200
-	-	-	-	(2,302)	(2,302)	-	(2,302)
-	-	-	-	(1,159)	(1,159)	-	(1,159)
810,088	4,316	1,459	(301,099)	(1,778,975)	706,978	101,739	808,717

The attached notes 1 to 33 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

At 31 December 2020

1. Activities

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

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

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

2. Accounting Policies

2.1. Assessment Of Going Concern Assumption

Due to uncertainty in 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 which commenced 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 13), assignment of insurances, pledge over bank accounts (note 9), 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.

2.2. Basis Of Preparation

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected all economic activities in general and the Group's business linked to its real estate portfolio in specific. The Group incurred a loss of AED 438 million during the year ended 31 December 2020 (2019: loss of AED 320 million) and witnessed a decrease in equity by AED 462 million. Loss is mainly attributable to the Group's two business lines, firstly real estate portfolio which was severely impacted by COVID-19 and witnessed a fair value loss of AED 463 million; secondly impairments of financing and investing assets where the Group has recognized a loss of AED 204 million during the year ended 31 December 2020.

The Group's management has taken several steps to address the situation including the following:

- Keeping in view success of debt settlement auction during 2020 which generated a net profit of AED 105 million, management has planned to continue it during 2021;
- It has considered the impact of COVID-19 on the cashflow

resources to withstand the impact and support its operating activities for the foreseeable future.

- Planned to sale the real estate portfolio

Subsequent to year end, management has found increased demand for Group's investment properties and expect this to continue given the various government initiatives and Expo 2020 during the year 2021 which ultimately contribute to profitability

Central Bank (CB) in its examination report pointed out that, under the present pandemic situation, the Group is likely to incur more losses and does not have sufficient aggregate capital to absorb any further losses, therefore CB has advised that the Group should refrain from underwriting any new financing activities. From regulatory point of view CB has excluded Mudaraba Instrument to calculate Group's aggregate capital. CB has directed the company to submit a plan by 31 March 2021 to increase the aggregate capital by early converting Mudaraba Instrument to share capital.

Management has determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared these consolidated financial statements on a going concern basis.

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

Statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Amlak Finance PJSC and its subsidiaries (the Group) as at 31 December 2020.

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

- Power over the investee (i.e. existing rights that give it the

current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control over a subsidiary, it:

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

2. Accounting Policies

Basis of consolidation

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 Shareholding	
			2020	2019
Amlak Finance Egypt Company (S.A.E.)	Subsidiary	Egypt	100%	100%
EFS Financial Services LLC (note 27.2)	Subsidiary	UAE	-	57.5%
Amlak Sky Gardens LLC (note 27.1)	Subsidiary	UAE	100%	100%
Amlak Holding Limited	Subsidiary	UAE	100%	100%
Warqa Heights LLC	Subsidiary	UAE	100%	100%
Amlak Capital LLC	Subsidiary	UAE	100%	100%
Amlak Property Investment LLC	Subsidiary	UAE	100%	100%
Amlak Limited	Subsidiary	UAE	100%	100%
Amlak Nasr City Real Estate Investment LLC	Subsidiary	Egypt	100%	100%

2.3. Changes In Accounting Policies, Estimates And Judgements

Issued and effective for accounting periods beginning on 1 January 2020

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements. In the current year, the Group has applied a number of amendments

to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS

Summary

<p>Amendments to IFRS 9 <i>Financial Instruments</i>, IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and IFRS 7 <i>Financial Instruments Disclosures</i> relating to interest rate benchmark reform.</p>	<p>The changes</p> <ul style="list-style-type: none"> ■ modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform; ■ are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform; ■ are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and ■ require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments
<p>Amendment to IFRS 3 <i>Business Combinations</i> relating to definition of a business.</p>	<p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:</p> <ul style="list-style-type: none"> ■ clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; ■ narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; ■ add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; ■ remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and ■ add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

New and revised IFRS	Summary
<p>Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> relating to definition of material</p>	<p>Three new aspects of the new definition should especially be noted:</p> <ul style="list-style-type: none"> ■ Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A). ■ Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote. ■ Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.
<p>Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2 <i>Share-based payment</i>, IFRS 3 <i>Business Combinations</i>, IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>, IFRS 14 <i>Regulatory Deferral Accounts</i>, IAS 1 <i>Presentation of Financial Statements</i>, IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, IAS 34 <i>Interim Financial Reporting</i>, IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, IAS 38 <i>Intangible Assets</i>, IFRIC 12 <i>Service Concession Arrangements</i>, IFRIC 19 <i>Extinguishing of Financial Liabilities with Equity Instruments</i>, IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>, IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>, and SIC-32 <i>Intangible Assets – Web Site Costs</i> to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework</p>	<p>The Group has adopted the amendments to IFRS 2, IFRS 6, IFRS 15, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 21 in the current year.</p>
<p>Amendments to IFRS 16 <i>Leases</i> relating to Covid-19-Related Rent Concessions</p>	<p>The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.</p>

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2020.

2.4. Definitions

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

Istisna'a

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

Ijarah (Ijarah Muntahia Bittamleek)

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

Forward Ijarah (Ijara Mausoofa Fiz Zimma)

Forward Ijarah is an arrangement whereby the parties' (i.e. lessor and lessee) agree that the lessor shall on a specified future date provide certain described property on lease to the lessee upon its comple-

tion and delivery by the developer, from whom the lessor has purchased the property. The lease rental under Forward Ijarah commences only upon the lessee having received possession of the property from the Group. Forward Ijarah ends by transfer of ownership in the asset to the lessee. Under a Forward Ijarah Group may act as a lessor or a lessee, as the case may be.

Sharikatul Milk

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

Murabaha to the purchase orderer

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

Mudaraba

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

of any of the terms and conditions of the Mudaraba by the Mudarib. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal, as the case may be.

Sharia'a

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

Wakala Investments

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

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

Mudaraba Instrument

An instrument issued in favour of a facility agent, acting for and on behalf of the financiers (as Agent) in respect of their

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

share in the finance portfolio pursuant to which the Agent transferred rights, interests, benefits and entitlements in the finance portfolio to Amlak Shaheen Limited (as Issuer). The Company and the Issuer (as Rab Al Maal) entered into Mudaraba whereby the finance portfolio as Mudaraba Capital will be invested by the Company. Any redemption of the Mudaraba Instrument will be through the Group making a payment under a Mudaraba contract to the Issuer. Any redemption of the Mudaraba Instrument will be through the Group making a payment under a Mudaraba contract to the Issuer.

2.5. Significant Management Estimates And Judgments

Use of estimates

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

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

(i) Financial instruments

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

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

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.
- Calculation of expected credit loss (ECL): Assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 2020. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Inputs, assumptions and techniques used for ECL calculation

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

Assessment of Significant Increase in Credit Risk

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

The Group's assessment of significant increases in credit risk is being performed at least quarterly for each individual expo-

sure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Group has established thresholds for significant increase in credit risk based on movement in Probability of Default relative to initial recognition.
2. Additional qualitative reviews have been performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

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

The Group reviews its loans & receivables portfolio and Islamic financing receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the contractual future cash flows from a loan or homogenous group of loans and receivables or Islamic financing receivables. The methodology and assumptions used for estimating

both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss.

In order to assist customers in coping up with economic impact of COVID-19, AMLAK Finance offered payment deferrals to the impacted customers in line with CBUAE recommendations. Customers were grouped based on the severity of the impact of the crisis those customers who have not faced substantial impact in their credit worthiness were assigned same stage under IFRS9 as they were before the pandemic.

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

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

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

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

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

Scenarios are probability-weighted according to the Group best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on a quarterly basis (if required). All scenarios considered are applied to all portfolios subject to ECL with the same probabilities. Sensitivity assessment due to movement in each macroeconomic variable and the respective weights under the three scenarios is periodically assessed by the Group.

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

Definition of default

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

Expected Life

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

Governance

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

(ii) Fair value of financial instruments

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

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

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

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

(iv) Contingent liability arising from litigations

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

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

(v) Valuation of unquoted equity investments

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

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

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

(vi) Impairment of associate

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

(vii) Provisions, contingent liabilities and commitments

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

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

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

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

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

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

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

Judgements

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

Impairment of non-financial assets

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

Satisfaction of performance obligations

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

Determination of transaction prices

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

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

Transfer of control in contracts with customers

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

2.6. Standard Issues

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2020, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

New and revised IFRS	Effective for annual periods beginning on or after
<p>Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9 <i>Financial Instruments</i>, IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, IFRS 7 <i>Financial Instruments Disclosures</i>, IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases</i>)</p> <p>The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.</p>	1 January 2021
<p>Amendments to IFRS 3 <i>Business Combinations</i> relating to Reference to the Conceptual Framework</p> <p>The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.</p>	1 January 2022
<p>Amendments to IAS 16 <i>Property, Plant and Equipment</i> relating to Proceeds before Intended Use</p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.</p>	1 January 2022
<p>Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> relating to Onerous Contracts - Cost of Fulfilling a Contract</p> <p>The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p>	1 January 2022

New and revised IFRS	Effective for annual periods beginning on or after
<p>Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Classification of Liabilities as Current or Non-Current</p> <p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p>	1 January 2023
<p>Amendments to IFRS 4 <i>Insurance Contracts</i> Extension of the Temporary Exemption from Applying IFRS 9</p> <p>The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 <i>Financial Instruments</i>, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.</p>	1 January 2023
<p>Annual Improvements to IFRS Standards 2018 – 2020</p> <p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> ■ IFRS 1 <i>First-Time Adoption of International Financial Reporting Standards</i> – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. ■ IFRS 9 <i>Financial Instruments</i> – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. ■ IFRS 16 <i>Leases</i> – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. ■ IAS 41 <i>Agriculture</i> – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. 	1 January 2022

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

New and revised IFRS	Effective for annual periods beginning on or after
<p>IFRS 17 Insurance Contracts</p> <p>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 2023.</p>	1 January 2023
<p>Amendments to IFRS 17 Insurance Contracts</p> <p>Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:</p> <ul style="list-style-type: none"> ■ Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. ■ Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. ■ Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. ■ Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. ■ Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. ■ Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. ■ Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. ■ Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. ■ Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach. 	1 January 2023

New and revised IFRS	Effective for annual periods beginning on or after
<p>Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture</p>	Effective date deferred indefinitely. Adoption is still permitted.

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

3. Summary Of Significant Accounting Policies

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

Revenue recognition

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

Ijarah

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

Sharikatul Milk

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

Murabaha

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

Mudaraba

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

Musharaka

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

Documentation fees

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

Revenue from contracts with customers

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

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

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

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

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

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

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

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

this gives rise to a contract liability.

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

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

Rental income

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

Dividend

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

Income on deposits

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

Allocation of profit

Allocation of profit between the financiers and the shareholders is calculated according to the Group's standard

procedures and is approved by the Group's Fatwa and Sharia'a Supervisory Board.

Cash and cash equivalents

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

Islamic financing and investing assets

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

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

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

(or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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

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

Investment properties

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

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

Fair value is determined by reference to open market values based on valuations performed by independent surveyors and consultants. For advances for investment properties, valuations are adjusted for amounts to be paid in accordance with property purchase agreements.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

property to owner-occupied property or property under development, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property or property under development becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment or property under development up to the date of change in use.

Properties under development

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

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

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

Investment securities

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

At fair value through profit or loss

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

At fair value through other comprehensive income

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

Investment in associates and joint operations

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement,

which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

The statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its

share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

Furniture, fixtures and office equipment

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

Offices	25 years
Furniture and fixtures	4 - 7 years
Computer and office equipment	3 - 5 years

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

The carrying values of furniture, fixtures and office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such

indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

Accounts payable and accruals

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

Provisions

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

Leases

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

Employees' end of service benefits

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

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

Treasury shares

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

Trade and settlement date accounting

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

Financial Instruments

(i) Initial recognition and measurement

a) Financial assets

Initial recognition

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

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

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

Subsequent measurement

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

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

Debt instrument

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

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Group's financing assets and receivables including advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit rate (EPR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in finance income in the consolidated statement of income. The losses arising from impairment are recognised in the statement of income.

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

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

Equity instrument

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

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the re-

quirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

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

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

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

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

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

Reclassifications

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

Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - a. the Group has transferred substantially all the risks and rewards of the asset, or
 - a. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In

that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

Write-off

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

Finances and advances

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

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

Investment securities

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

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

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss unless they clearly represent

a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses on equity instruments recognised in OCI are transferred to retained earnings on disposal of an investment.

b) Financial Liabilities

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

Initial recognition

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

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

Financing

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

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

Financial guarantee contracts

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

Derecognition

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

carrying amounts is recognised in the consolidated statement of income.

(ii) Impairment

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

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

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

Measurement of ECL

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

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

Credit-impaired financial assets

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

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

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

Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

(iii) Offsetting of financial instruments

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

Contingencies

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated

at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

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

Segment reporting

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

4. Income From Islamic Financing And Investing Assets

	2020 AED'000	2019 AED'000
<i>Financing assets:</i>		
Ijarah	145,938	143,595
Forward Ijarah	6,637	5,603
Shirkatul Milk	9,850	13,276
Others	227	232
	162,652	162,706
<i>Investing assets:</i>		
Wakala	2,058	4,198
	164,710	166,904

5. Other income

	2020 AED'000	2019 AED'000
Reversal of liabilities no longer payable	25,190	13,194
Gain on sale of share of associate (note 14)	7,517	-
Recovery of legal claim	4,415	-
Others	8,895	8,377
	46,017	21,571

6. Operating Expenses

	2020 AED'000	2019 AED'000
Personnel	28,609	43,790
Legal consultancy and professional	15,860	16,414
Business process	9,045	11,725
Property management (note 13)	20,397	21,543
Rent	3,810	3,957
IT related expense	3,556	3,430
Depreciation	5,826	6,602
Others	24,905	9,984
	112,008	117,445

7. Distribution To Financiers / Investors

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

8. Basic And Diluted Loss Per Share

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

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

	2020 AED'000	2019 AED'000
Loss for the year attributable to equity holders of the parent net of Directors' fee and zakat (AED'000)	(451,103)	(322,640)
Weighted average number of shares for basic EPS (in thousands)	1,483,949	1,475,230
Effect of dilution:		
Mudaraba Instrument (in thousands)	1,499,550	1,511,857
Weighted average number of ordinary shares adjusted for the effect of dilution	2,983,499	2,987,087
Attributable to equity holders of the parent:	2020	2019
Basic loss per share (AED)	(0.30)	(0.22)
Diluted loss per share (AED)	(0.30)	(0.22)

The weighted average numbers of shares for basic EPS were reduced by the purchase of own shares during the year 2008 (note 22). During the year ended 31 December 2020 20.8 million (31 December 2019: 4.2 million) treasury shares were sold.

Diluted loss per share for the year ended 31 December 2020 has been reported same as basic loss per share in these consolidated financial statements, as the impact of potential ordinary shares is anti-dilutive.

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

9. Cash And Balances With Banks

	2020 AED'000	2019 AED'000
Cash on hand	58	60
Balances with banks	83,587	63,297
Deposits with banks	105,445	119,758
Cash and balances with banks	189,090	183,115
Less: Restricted cash and deposits		
Regulatory deposit with no maturity (note 9.1)	(35,000)	(35,000)
Restricted cash (note 9.2)	(70,446)	(90,004)
Cash and cash equivalents	83,644	58,111

- 9.1. Represents deposits with a local bank under lien to the Central Bank of UAE in accordance with Central Bank regulations for licensing.
- 9.2. At year end, the Group reported AED 70 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 13).

10. Islamic Financing And Investing Assets

	2020 AED'000	2019 AED'000
Financing assets:		
Ijarah	2,191,063	2,269,645
Forward Ijarah	212,284	244,594
Shirkatul Milk	166,372	170,514
Real estate Murabaha	503	817
Others	75,791	65,039
	2,646,013	2,750,609
Allowance for impairment	(627,970)	(490,751)
Total financing assets	2,018,043	2,259,858
Investing assets:		
Wakala	244,000	175,000
Total investing assets	244,000	175,000
	2,262,043	2,434,858

10. Islamic Financing And Investing Assets (Continued)

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

	2020 AED'000	2019 AED'000
Within U.A.E.	2,042,462	2,290,170
Outside U.A.E.	219,581	144,688
	2,262,043	2,434,858

The movement in the allowance for impairment is as follows:

Islamic Financing and investing assets and undrawn irrevocable commitments

	2020 AED'000 ECL	2019 AED'000 ECL
Balance at 1 January	490,751	485,174
Allowances for impairment made during the year	208,063	106,354
Write back / recoveries made during the year	(3,806)	(3,848)
	204,257	102,506
Amounts written off during the year	(65,687)	(89,696)
Exchange and other adjustments	(1,351)	(7,233)
Closing balance	627,970	490,751

10.1. Allowance for impairment includes AED 102 million (2019: AED 68 million) in respect of profit in suspense for impaired financing and investing assets.

10.2. The allowance for impairment is management's best estimate and is based on assumptions considering several factors as per IFRS 9.

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

11. Investment Securities

	2020 AED'000	2019 AED'000
Equities (FVOCI)	8,420	7,769

31 December 2020

Investments carried at fair value

	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Equities (FVOCI)	8,420	-	-	8,420

31 December 2019

Investments carried at fair value

	Total AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Equities (FVOCI)	7,769	-	-	7,769

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

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

	2020 AED'000	2019 AED'000
Balance at 1 January	7,769	7,714
Exchange movement	10	55
Addition during the year	641	-
Balance at 31 December	8,420	7,769

12. Advances For Investment Properties

	2020 AED'000	2019 AED'000
At 1 January	292,781	322,818
Settled during the year**	-	(30,037)
Provisions*	(292,781)	(292,781)
At 31 December	-	-
At 1 January	(292,781)	(146,781)
Charge for the year	-	(146,000)
Closing	(292,781)	(292,781)

*This represents the advances paid by the Group towards the acquisition of units in under-development real estate project in Dubai. The projects has 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 cancellation 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.

13. Investment Properties

	2020 AED'000	2019 AED'000
At 1 January	2,319,794	1,989,071
Additions during the year	38,893	192,271
Disposals during the year	(467,533)	(94,728)
Fair value loss on investment properties	(462,964)	(18,241)
Transfer to minority interest	(111,577)	-
Transfer from property under development	-	230,845
Transfer to furniture, fixtures and office equipment	(8,338)	-
Foreign exchange fluctuation	3,744	20,576
Provision during the year	(60,165)	-
At 31 December	1,251,854	2,319,794

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

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

13. Investment Properties (continued)

Provision of AED 60 million on foreclosed properties has been recorded during the year, as recommended by the Central Bank.

Investment properties as at 31 December 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 198 million (2019: AED 195 million). All other investment properties are located within the UAE. The carrying values of AED 198 million (2019: AED 195 million) also includes foreign exchange gains and losses on currency translation of investment properties in Egypt which is included in equity.

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

Valuation technique used for investment properties in the joint venture is based on the income approach which uses significant unobservable inputs, hence is classified as Level 3. Inputs used by valuator include sale price range from AED 105 to AED 170 per sqft with absorption period of 4 years at 10% fair value rate.

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

As at 31 December 2020, investment properties having fair value of AED 892 million (31 December 2019: AED 1,509 million) are mortgaged / assigned in favor of the security agent as part of the restructuring (note 17).

	2020 AED'000	2019 AED'000
Rental income derived from investment properties	42,115	57,498
Direct operating expenses (including repairs and maintenance) generating rental income	(20,397)	(21,543)
Profit arising from rental on investment properties carried at fair value	21,718	35,955

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.

13. Investment Properties (continued)

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 31 December 2020 is AED 70 million (31 December 2019: AED 90 million). Investment properties in the joint venture balance represents AED Nil (31 December 2019: AED 231 million transfer from properties under development, addition of AED 5.4 million (31 December 2019: AED 81 million) on construction of buildings and AED 36 million fair value loss (31 December 2019: 109 million fair value gain) during the year ended 31 December 2020.

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

	2020 AED'000	2019 AED'000
Investment properties	240,965	419,625
Cash and balances with banks (Note 9)	70,446	90,004
Other assets - receivables	11,137	5,137
Deferred income and other liabilities	(15,898)	(33,736)
Net Assets	306,650	481,030
Revenue*	9,353	-
Income on deposits	1,300	3,677
Other income	3,772	5,086
Cost of sales	(6,463)	-
Operating expenses	(1,142)	(161)
Profit for the year	6,820	8,602

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

13.1 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 31 December 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 consolidated 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.

14. Investment In An Associate

	Percentage holding		2020	2019
	2020	2019	AED '000	AED'000
Amlak International for Real Estate Finance Company, Saudi Arabia (AIRE)	18.35%	26.21%	206,123	288,946

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

14. Investment In An Associate (Continued)

	2020 AED'000	2019 AED'000
Assets	3,865,742	3,285,169
Liabilities	(2,667,653)	(2,196,633)
Equity	1,198,089	1,088,536
Group's carrying amount of the investment	206,123	288,946
Revenue	284,002	287,068
Profit for the year	97,619	65,488
Group's share of profit for the year	19,579	16,958

During the year, the Group received a dividend of AED 11.6 million (2019: AED 16.56 million) from AIRE. Financial information and results of AIRE are based on the latest available management accounts as at 30 November 2020 (2019: as at 31 October 2019) and extrapolated for the remaining 1 month (2019: 2 months) to 31 December 2020.

During the year, the Group divested 30% of its share in associate through IPO launched by AIRE Finance Company and recorded a gain of AED 7.5 million on this transaction in other income.

15. Other Assets

	2020 AED'000	2019 AED'000
Prepayments	1,686	2,964
Receivable from brokerage activities (15.1)	-	6,000
Land registration and service fees	9,696	11,348
Advances	2,509	2,342
Profit receivable	166	310
Foreclosed accounts receivables (note 15.2)	23,591	23,005
Assets subject to lease	-	9,065
Others (note 15.3)	20,790	6,928
	58,438	61,962

15.1. Amount was settled with customer during the year and group recorded a gain of AED 9 million on settlement.

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

15.3. Balance includes AED 11.14 million (31 December 2019: AED 5.14 million) pertaining to receivables of Al Warqa Gardens LLC (Note 13).

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

16. Furniture, Fixtures And Office Equipment

	2020 AED'000	2019 AED'000
Furniture, fixtures and office equipment (note 16.1)	13,706	10,424
Capital work in progress (note 16.2)	1,593	424
	15,299	10,848

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

2020:	Head Office AED'000	Furniture and fixtures AED'000	Computers and office equipment AED'000	Total AED'000
Cost:				
At 1 January 2020	-	15,961	67,384	83,345
Additions during the year	-	133	692	825
Transfer from investment property	8,338	-	-	8,338
Disposals during the year	-	(400)	(1,251)	(1,651)
Exchange (loss)/gain & adjustments	-	8	(423)	(415)
At 31 December 2020	8,338	15,702	66,402	90,442
Accumulated depreciation:				
At 1 January 2020	-	14,916	58,005	72,921
Depreciation charge for the year	167	329	5,330	5,826
Disposals during the year	-	(400)	(1,251)	(1,651)
Exchange gain /(loss) & adjustments	-	6	(366)	(360)
At 31 December 2020	167	14,851	61,718	76,736
Net book value:				
At 31 December 2020	8,171	851	4,684	13,706

16. Furniture, Fixtures And Office Equipment (Continued)

2019:

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

16.2 The amount relates to ongoing IT projects.

17. Investment Deposits And Other Islamic Financing

	Frequency of instalments	Final instalment date	Profit rate	2020 AED'000	2019 AED'000
Murabaha	Monthly	25 October 2026	2%	-	207,228
Wakala	Monthly	4 July 2020	4%	-	49,923
Others	Monthly	4 July 2020	4%	-	114,430
Purchase price payable	Monthly	25 October 2026	2%	3,856,399	4,011,781
				3,856,399	4,383,362
Unamortised fair value adjustment (note 17.1)				(417,041)	(327,247)
				3,439,358	4,056,115

Investment deposits and other Islamic financing are secured by assignment and mortgage over the Group's investment properties located in UAE (notes 13), assignment of insurance, pledge over bank accounts (note 9), assignment of rights to receive payments in connection with the Islamic financing and investing assets portfolio and corporate guarantees of the Group's subsidiaries. Securities offered would be held by a security agent on behalf of the financiers.

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

17. Investment Deposits And Other Islamic Financing (continued)

17.1 Unamortised fair value adjustment

	2020 AED'000	2019 AED'000
At 1 January	327,247	423,609
Amortisation charged for the year	(123,331)	(96,362)
Reversal of unamortized FV adjustment due to restructuring	(284,052)	-
FV Gain on restructuring	497,177	-
	417,041	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.

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

17.2 Debt Settlement

Based on revised CTA, the Group concluded debt settlement auction on 24 September 2020 and 14 December 2020. Cash consideration of AED 96 million was offered to financiers against settlement of their exposures and certain financiers settled their exposure of AED 257 million which include investment deposits of AED 205 million, Mudaraba Instrument of AED of AED 50 million and profit in kind of AED 1.5 million. Due to this settlement, group has recorded a gain of AED 105 million in statement of income after netting of amortization of fair value adjustment on restructuring amounting to AED 24 million and recorded a gain of AED 31 million related to Mudaraba instrument, in statement of changes in equity.

18. Term Islamic Financing

Egyptian Mortgage Refinance Company (note A)	113,922	85,648
Egyptian Arab Land Bank (note B)	43,228	20,735
Suez Canal	27,460	8,679
National Bank of Egypt (NBE)	9,744	-
	194,354	115,062

	2020 AED'000	2019 AED'000
Egyptian Mortgage Refinance Company (note A)	113,922	85,648
Egyptian Arab Land Bank (note B)	43,228	20,735
Suez Canal	27,460	8,679
National Bank of Egypt (NBE)	9,744	-
	194,354	115,062

A) Egyptian Mortgage Refinance Company (EMRC)

As at the year end, EMRC long term facilities to the Group's subsidiary in Egypt amounted to Egyptian Pounds 489 million (31 December 2019: Egyptian Pounds 375 million) to finance the subsidiary's activities. These facilities carry a profit rate range from 1% per annum to 19% per annum (2019: 1% per annum to 21% per annum) payable on a monthly basis over a maximum period of 20 years.

B) Egyptian Arab Land Bank (EALB)

As at the year end, EALB long term facilities to the Group's subsidiary in Egypt amounted to Egyptian Pounds 186 million (31 December 2019: 91 million) to finance the subsidiary's activities. These facilities carry a maximum profit rate range of 1.5% per annum to average corridor rate from Central Bank of Egypt (2019: Nil) payable on a monthly basis over a maximum period of 7 years.

19. Employees' End Of Service Benefits

	2020 AED'000	2019 AED'000
At 1 January	4,108	4,398
Provided during the year	619	1,163
Paid during the year	(1,321)	(1,453)
	3,406	4,108

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

20. Other Liabilities

	2020 AED'000	2019 AED'000
Provisions and accruals	41,853	54,530
Unearned rental income	255	7,288
Dividend payable	6,515	6,559
Anticipated profits payable on investment deposits and other Islamic financing	1,500	4,763
Provision for litigation claims (note 20.1)	11,553	13,770
Payable to the customer (note 20.2)	-	154,314
Zakat payable	56	56
Security deposits	-	7,370
Property management payables	-	2,873
Lease obligations	-	9,065
Other payables (note 20.3)	47,886	62,702
	109,618	323,290

20.1 This represents provision against certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions.

the year Group settled its liability towards customer and recorded a gain of AED 79 million. The Group also settled with a customer and recorded gain of AED 9 million (note 15.1).

20.2 In 2008, the Group entered into a sale purchase agreement ("SPA") with a developer for the acquisition of various buildings under development. On finalisation of this agreement the Group entered into a separate SPA with a customer wherein a certain portion of a building was sold to this customer for AED 154 million. During

20.3. This includes AED 16 million (31 December 2019: AED 34 million) pertaining to deferred income and other liabilities of Al Warqa Gardens LLC (note 13).

21. Share Capital

	2020 AED'000	2019 AED'000
<i>Authorised, Issued and fully paid</i>		
1,500,000,000 shares of AED 1 each (31 December 2018: 1,500,000,000 ordinary shares of AED 1 each)	1,500,000	1,500,000

Mudaraba Instrument

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

22. Treasury Shares

During 2008, the Group purchased 25 million of its shares, equivalent to 1.67% of the issued shares. These shares are recorded in the statement of financial position as treasury shares. During the year ended 31 December 2020, 20.8m (31 December 2019: 4.2m) treasury shares were sold.

23. Statutory Reserve

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

24. General Reserve

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

25. Special Reserve

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

26. Mudaraba Instrument

	2020 AED'000	2019 AED'000
Mudaraba Instrument (nominal value)	975,220	1,025,560
Mudaraba Instrument Reserve	(770,324)	(810,088)
Mudaraba Instrument (carrying value)	204,896	215,472

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

The Mudaraba Instrument at the time of issue comprised:

1. Face Value of AED 1,300 million.
2. An expected profit rate of 1% per annum on the outstanding balance each year, payable as profit in kind ("PIK") which the Company can elect to make distributions in cash or in the form of shares.
3. A contingent issuance of upto 500 million shares applicable only to the extent the Mudaraba Instrument remains outstanding at maturity. The number of contingent shares to be issued is prorated with the amount of Mudaraba Instrument remaining outstanding.

As the Mudaraba Instrument is redeemed, there will be a proportionate reduction in the contingent share issuance due.

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

26. Mudaraba Instrument (Continued)

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

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

On 12 August 2015, the Board of Directors of the Company voluntarily opted to redeem AED 200 million against the Mudaraba Instrument which has reduced the Mudaraba Instrument and Mudaraba Instrument reserve by AED 42 million and 158 million respectively. The face value of Mudaraba instrument outstanding at 31 December 2020 is AED 1,026 million (31 December 2019: AED 1,100 million). The Company also paid AED 9 million in respect of PIK charge falling due as a consequence of the repayment of the Mudaraba Instrument with the amount being 1% of the outstanding Mudaraba Instrument from the date of restructuring to the date of redemption. This charge was recorded in accumulated losses in equity.

On 23 November 2017, the Board of Directors of the Company voluntarily opted to redeem AED 75 million against the Mudaraba Instrument which has reduced the

Mudaraba Instrument and Mudaraba Instrument reserve by AED 16 million and 59 million respectively. The face value of Mudaraba instrument outstanding at 31 December 2020 is AED 1,026 million (31 December 2019: AED 1,026 million). The Company also paid AED 25 million in respect of PIK (profit) as a consequence of the redemption of the capital under the Mudaraba Instrument with the amount being 1% of the outstanding Mudaraba Instrument from the 1st redemption date to the 2nd redemption date. This charge was recorded in accumulated losses in equity.

During the year ended 31 December 2020 the Group redeemed Mudaraba instrument in the value of AED 50 million through debt settlement mechanism (note 17).

At 31 December 2020, the maximum number of shares which may convert under the instrument are 1,438 million (31 December 2019: 1,512 million)

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

27. Material Partly-Owned Subsidiaries

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

Accumulated balances of material non-controlling interest:

	Note	2020 AED'000	2019 AED'000
Amlak Sky Gardens LLC	27.1	-	113,449
EFS Financial Services LLC		-	(11,710)
		-	101,739

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

	Note	2020 AED'000	2019 AED'000
Amlak Sky Gardens LLC	27.1	1,413	(7,805)
EFS Financial Services LLC		11,710	9,504
		13,123	1,699

27.1. The Group holds 100% share capital of Amlak Sky Gardens LLC. The Group uses Amlak Sky Gardens LLC as a special purpose entity, to hold in association with another party certain units in a building known as the Sky Gardens Project ("the Project"). The Group's share is 67% under the terms of the Project agreement with the counterparty and the Project earnings are to be split in the ratio of the 67% to the Group and 33% to the other party. The funding has been classified as equity within Amlak Sky Gardens LLC and hence gives rise to a non-controlling interest at Group level. During the year 2020, the Project distributed the assets and 33% of units in the building pertaining to non-controlling interest were transferred to them. Units in the building were segregated and non-controlling interest was eliminated after transfer of title of properties on 29 February 2020.

27.2 The shareholders approved the wind down of activities and liquidation of the Company and during the year 2020 Company was dissolved and liquidated according to a decision certified by a notary public in Dubai. All the assets and liabilities of the company were settled as at 31 December 2020

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

Summarized statement of income

2020:

	Amlak Sky Gardens LLC AED'000	EFS Financial Services LLC AED'000
Revenue	12,967	27,950
General and administrative expenses	(3,596)	(62)
Distribution to financiers / investors	-	(334)
Fair value loss on investment property	(89,820)	-
Total comprehensive (loss) / income for the year	(80,449)	27,554
Attributable to non-controlling interests	1,413	11,710

Summarized statement of income

2019:

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

27. Material Partly-Owned Subsidiaries (continued)

Summarized statement of financial position

2020:

	Amlak Sky Gardens LLC AED'000	EFS Financial Services LLC AED'000
Cash and bank balances	10,054	-
Investment properties	139,343	-
Investment Assets – Wakala	10,000	-
Other assets	566	-
Due to related party	(495,420)	-
Other liabilities	(706)	-
Total equity	(336,163)	-
Attributable to:		
Equity holders of the parent	(336,163)	-
Non-controlling interests	-	-
	(336,163)	-

2019:

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

27. Material Partly-Owned Subsidiaries (Continued)

Summarized statement of cash flows

2020:

	<i>Amlak Sky Gardens LLC</i> AED'000	<i>EFS Financial Services LLC</i> AED'000
Operating	3,663	-
Investing	(10,000)	-
Financing	7,885	-
Net decrease in cash and cash equivalents	1,548	-

2019:

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

28. Segmental Information

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

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

Operating segments:

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

2020:

	<i>Real Estate Finance</i> AED'000	<i>Real Estate Investment</i> AED'000	<i>Corporate Finance Investments</i> AED'000	<i>Total</i> AED'000
Operating income	211,219	(345,459)	63,452	(70,788)
Distribution to financiers / investors	(28,581)	(50,798)	(19,177)	(98,556)
Allowances for impairment	(264,901)	(376)	(724)	(266,001)
Fair value adjustment on investment deposits	213,125	-	-	213,125
Amortisation of fair value gain	(68,767)	(47,866)	(6,698)	(123,331)
Expenses (including allocated expenses)	(67,479)	(33,588)	(10,941)	(112,008)
Share of results of an associate	-	-	19,579	19,579
Segment results	(5,384)	(478,087)	45,491	(437,980)
Non-controlling interests				(13,123)
				(451,103)

2019:

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

28. Segmental Information (continue)

Segment assets and liabilities:

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

2020:

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investments AED'000</i>	<i>Total AED'000</i>
Segment assets	2,306,320	1,234,185	450,762	3,991,267
Segment liabilities	239,236	3,076,710	430,790	3,746,736
Depreciation	5,563		263	5826
Capital expenditure	1,438	-	556	1,994

2019:

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investments 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
Depreciation	6,309		293	6,602
Capital expenditure	306	-	-	306

29. Related Party Transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

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

31 December 2020:

	<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	-	-	10,609	10,609
Islamic financing and investing assets	-	10,101	3,617	13,718
Investment deposits	113,130	-	905,313	1,018,443
Other liabilities	44	-	352	396

31 December 2019:

	<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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

29. Related Party Transactions (continue)

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

31 December 2020:

	<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
Distributions to financiers / investors	2,384	-	19,077	21,461

31 December 2019:

	<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	-	372	285	657
Distributions to financiers / investors	2,459	-	19,677	22,136

Compensation of key management personnel

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

	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Salaries and other benefits	9,484	12,280
Employee terminal benefits	218	283
	9,702	12,563

Directors' remuneration during the year ended 31 December 2020 has been disclosed in note 30(b).

30. Commitments And Contingencies

Commitments

	<i>Notes</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Irrevocable commitments to advance financing	30.1	134,490	210,819
Commitments for investment properties	30.2	-	18,192
		134,490	229,011

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

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

30. Commitments And Contingencies (continued)

Contingencies

- a) The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and, based on legal counsel advice received, believes it is less than probable that such actions taken by counter parties would succeed, except for cases against which a provision of AED 1 million (2019: AED 1 million) has been made.
- b) As at 31 December 2020, the Group had a contingent liability for proposed Directors' remuneration of AED 1.12 million (2019: AED 1.12 million). Directors' remuneration, which is governed by UAE Federal Law No (2) of 2015, of AED Nil was approved at Annual General Meeting (AGM), (2019: AED 1.16 million was approved at AGM on 10 April 2019 and was paid during the year ended 31 December 2019).

31. Risk Management

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

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

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

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

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

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

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

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

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

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

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

Excessive risk concentration

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

In order to avoid further excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on counter party limits and maintaining a diversified portfolio. Identified concentration of credit risks are controlled

and managed accordingly. ERM monitors the concentration risk on monthly basis and reports to Board Risk Committee (BRC).

Credit risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk stems mainly from day to day Islamic financing activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, policies and procedures. For details of composition of Islamic financing assets refer note 10.

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

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

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

31. Risk Management (continued)

Credit risk measurement

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

ECL measurement

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

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

Significant increase in credit risk

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

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

Backward transition

Back ward transition from stage 2 to stage 1

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

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

Back ward transition from stage 3 to stage 2

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

Forward-looking information incorporated in the ECL model

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

These economic variables and their associated impact on PD, EAD and LGD vary by financial instrument. Expert judgement

has also been applied in this process. Forecast of these economic variables (the "base economic scenario") are provided by the Group's Risk team on a quarterly basis.

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

Quantitative Information

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

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

	<i>Gross maximum exposure 2020 AED'000</i>	<i>Gross maximum exposure 2019 AED'000</i>
Balances with banks (note 9)	189,032	183,055
Islamic financing and investing assets (note 10)	2,262,043	2,434,858
Other assets (excluding prepayments) (note 15)	56,752	58,998
Total credit risk exposure	2,507,827	2,676,911

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

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

31. Risk Management (Continued)

Credit risk (continued)

31 December 2020

	Neither impaired nor past due on reporting date			
	Carrying amount AED'000	Low/fair risk AED'000	Watch list AED'000	Re-negotiated terms AED'000
Balances with banks	189,032	189,032	-	-
Islamic financing and Investing assets	2,262,043	609,294	241,058	310,838
Advances for investment properties	-	-	-	-
Other assets (excluding prepayments)	56,752	52,224	4,528	-
	2,507,827	850,550	245,586	310,838

31 December 2019

	Neither impaired nor past due on reporting date			
	Carrying amount AED'000	Low/fair risk AED'000	Watch list AED'000	Re-negotiated terms AED'000
Balances with banks	183,055	183,055	-	-
Islamic financing and Investing assets	2,434,858	1,169,432	-	213,344
Advances for investment properties	-	-	-	-
Other assets (excluding prepayments)	58,998	47,382	6,030	-
	2,676,911	1,399,869	6,030	213,344

	Past due but not impaired on reporting date				Individually impaired on reporting date		
	<30 AED'000	30-60 AED'000	61-90 days AED'000	>90 days AED'000	Carrying amount AED'000	Allowance for impairment AED'000	Gross amount AED'000
	-	-	-	-	-	-	-
	280,902	170,071	67,372	114,912	467,595	(481,110)	948,705
	-	-	-	-	-	(292,782)	292,782
	-	-	-	-	-	-	-
	280,902	170,071	67,372	114,912	467,595	(773,892)	1,241,487

	Past due but not impaired on reporting date				Individually impaired on reporting date		
	<30 AED'000	30-60 AED'000	61-90 days AED'000	>90 days AED'000	Carrying amount AED'000	Allowance for impairment AED'000	Gross amount AED'000
	-	-	-	-	-	-	-
	299,830	161,723	83,878	139,670	366,981	(286,224)	653,205
	-	-	-	-	-	(292,782)	292,782
	-	-	-	-	6,000	(31,486)	37,486
	299,830	161,723	83,878	139,670	372,981	(610,492)	983,473

* In addition to the stage 3 / specific provision as above, the Group has also made provisions on other portfolio falling under stage 1, stage 2 and individually assessed projects amounting to AED 146.86 million (31 December 2019: AED 204.53 million).

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

31. Risk Management (Continued)

Collateral and other credit enhancements

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

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

Market risk

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

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

Currency risk

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

	2020			2019		
	% Change in currency rate in AED	Effect on profit AED '000	Effect on Equity AED'000	% Change in currency rate in AED	Effect on profit AED '000	Effect on Equity AED'000
Currency						
Egyptian Pound (LEY)	± 5%	290	± 11,559	± 5%	± 99	± 11,203

Profit rate risk

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

31. Risk Management (Continued)

Profit rate risk (continued)

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

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

The sensitivity of the statement of income is the effect of the assumed changes in profit rates on the results for one year, based on profit bearing financial assets and financial liabilities held at 31 December 2020.

	2020 AED '000	2019 AED '000
Effect of a ± 50 bps change in EIBOR	± 10,770	± 12,271
Effect of a ± 100 bps change in EIBOR	± 21,541	± 24,543

Equity price risk

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

Early settlement risk

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

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

Liquidity risk

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

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

At 31 December 2020

	Expected Profit rate %	Up to 1 year		
		Less than 3 months AED'000	3 months to 6 months AED'000	6 months to 1 year AED'000
Investment deposits and other Islamic financing	2% - 4%	62,003	62,209	123,554
Term Islamic financing	1% - 21%	11,496	10,770	21,012
		73,499	72,978	144,566
OFF BALANCE SHEET ITEMS				
Commitments		9,402	24,236	46,769

At 31 December 2019

	Expected Profit rate %	Up to 1 year		
		Less than 3 months AED'000	3 months to 6 months AED'000	6 months to 1 year AED'000
Investment deposits and other Islamic financing	2% - 4%	93,196	92,133	158,349
Term Islamic financing	1% - 21%	6,652	6,244	12,214
		99,848	98,377	170,563
OFF BALANCE SHEET ITEMS				
Commitments		52,484	31,313	144,330

At 31 December 2020

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
247,765	1,101,663	2,853,698	-	4,203,126
43,279	96,602	95,494	-	235,375
291,044	1,198,265	2,949,192	-	4,438,501
80,407	54,083	-	-	134,490

At 31 December 2019

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
343,678	2,719,695	2,150,079	-	5,213,452
25,110	56,508	55,907	-	137,525
368,788	2,776,203	2,205,986	-	5,350,977
228,127	884	-	-	229,011

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

Maturity analysis of assets and liabilities

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

31 December 2020

	Up to 1 year		
	Less than 3 months	3 months to 6 months	6 months to 1 year
	AED'000	AED'000	AED'000
Assets			
Cash and balances with banks	83,644	-	-
Islamic financing and investing assets	311,962	38,796	79,671
Investment securities	-	8,420	-
Investment properties	46,908	52,873	61,365
Investment in an associate	-	-	-
Other assets	22,600	520	14,256
Furniture, fixture and office equipment	-	-	-
Total assets	465,114	100,609	155,292
Liabilities			
Investment deposits and other Islamic financing	38,162	38,162	76,325
Term Islamic financing	7,869	7,289	14,323
Employees' end of service benefits	-	-	-
Other liabilities	45,536	2,028	2,892
Total liabilities	91,567	47,479	93,540
Commitments	9,402	24,236	46,769
Net liquidity gap	364,145	28,894	14,983
Cumulative net liquidity gap	364,145	393,039	408,022

	Total up to 1 year	1 year to 5 years	Over 5 years	Items with no maturity	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
	83,644	70,446	-	35,000	189,090
	430,429	1,437,989	393,625	-	2,262,043
	8,420	-	-	-	8,420
	161,146	903,255	187,453	-	1,251,854
	-	206,123	-	-	206,123
	37,376	21,062	-	-	58,438
	-	-	-	15,299	15,299
	721,015	2,638,875	581,078	50,299	3,991,267
	152,649	767,487	2,519,222	-	3,439,358
	29,481	69,378	95,495	-	194,354
	-	-	-	3,406	3,406
	50,456	59,162	-	-	109,618
	232,586	896,027	2,614,717	3,406	3,746,736
	80,407	54,083	-	-	134,490
	408,022	1,688,765	(2,033,639)	46,893	110,041
	408,022	2,096,787	63,148	110,041	110,041

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

The liquidity risk table above

Maturity analysis of assets and liabilities (continued)

31 December 2019

	Up to 1 year		
	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	58,111	23,245	-
Islamic financing and investing assets	280,322	47,119	102,025
Investment securities	-	-	-
Investment properties	82,108	82,108	164,217
Investment in an associate	-	-	-
Other assets	35,062	24,038	2,862
Furniture, fixture and office equipment	-	-	-
Total assets	455,603	176,510	269,104
Liabilities			
Investment deposits and other Islamic financing	70,437	70,437	23,479
Term Islamic financing	4,657	4,332	8,540
Employees' end of service benefits	-	-	-
Other liabilities	121,059	23,174	22,741
Total liabilities	196,153	97,943	54,760
Commitments	52,484	31,313	144,330
Net liquidity gap	206,966	47,254	70,014
Cumulative net liquidity gap	206,966	254,220	324,234

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
81,356	66,759	-	35,000	183,115
429,466	554,662	1,450,730	-	2,434,858
7,769	-	-	-	7,769
328,433	1,708,711	282,650	-	2,319,794
-	288,946	-	-	288,946
61,962	-	-	-	61,962
-	-	-	10,848	10,848
901,217	2,626,847	1,733,380	45,848	5,307,292
164,353	2,942,505	949,257	-	-4,056,115
17,529	41,625	55,908	-	115,062
-	-	-	4,108	4,108
166,974	2,002	154,314	-	-323,290
348,856	2,986,132	1,159,479	4,108	4,498,575
228,127	884	-	-	229,011
324,234	(360,169)	573,901	41,740	579,706
324,234	(35,935)	537,966	579,706	579,706

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

31. Risk Management (Continued)

Liquidity risk (continued)

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

Operational risk

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

Capital Management

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The restructuring effected at 21 June 2020 represented a significant change in the capital structure of the Group. Capital comprises share capital, treasury shares, statutory reserve, general reserve, special reserve, cumulative changes in fair value, foreign currency translation reserve, Mudaraba Instrument, Mudaraba Instrument reserve and accumulated losses and is measured at AED 0.2 million as at 31 December 2020 (31 December 2019: AED 0.7million).

Fair value of financial assets and liabilities

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

32. Social Contributions

The Company pursues a Corporate Social Responsibility strategy and is formally registered with the Dubai Chamber of Commerce and Industry (DCCI) for Dubai Chamber CSR Label program. The Company has not made any social contributions during the year.

33. 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 unlikelihood 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.

Notes to the Consolidated Financial Statements

At 31 December 2020 (continued)

33. Covid-19 And Expected Credit Loss (Ecl)

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 31 December 2020 (unaudited)	
Deferral Amount	
Islamic Financing	5,017
Exposures	
Islamic Financing	32,937
Customer count	3

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	32,937
Less: Expected credit Losses	(754)
	32,183

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	39,958
Additions during the period	-
Repayments/de-recognition during the period	(7,021)
EAD as at 31 December 2020	32,937

