

Detailed analysis of accumulated losses

Date:	14 November 2022
Listed Company Name:	Amlak Finance PJSC
Define the period of the financial statements:	30 September 2022
Accumulated losses:	AED 824 million
Accumulated losses to capital ratio:	55%
The main reasons leading to these accumulated losses:	<p>The accumulated losses result mainly from the fair value losses recorded on investment properties in 2014 and 2020.</p> <p>During the period 2009 to 2013, the Group held certain investment properties amounting to AED 2,942 million which have been carried at cost since acquisition. These investment properties were fair valued as of 31 December 2014 and a fair value loss on these properties of AED 1,761 million was recorded during 2014.</p> <p>During the year 2020, real estate prices declined significantly due to the impact of COVID-19 and, accordingly, Amlak recorded fair value loss of AED 463 million on investment properties.</p> <p>Accumulated losses were reduced from AED 2.3 billion as at 31 December 2020 to AED 1.3 as at 31 December 2021 and further reduced to 824 million as at 30 September 2022 due to a number of initiatives taken by the management and the closure of the legal settlement.</p>
Measures to be taken to address accumulated losses:	<p>Amlak held an extraordinary general meeting in September 2014 where a financial restructuring plan was approved by the shareholders of the company.</p> <p>In January 2019, the company announced it had entered renegotiations with its financiers on the restructuring terms agreed in 2014 which were subsequently revised in 2016.</p> <p>In June 2020, the company succeeded in obtaining the sign-off approval from all financiers on the agreement that governs the new terms of the debt.</p> <p>Amlak implemented the new terms of the agreement which allows flexibility to adapt to current market conditions enabling the company to develop business and further strengthen its balance sheet.</p>

The Company fully settled its high-cost liquidity support provider financiers during the third quarter of 2020.

Post Restructuring / renegotiation and as of 30 September 2022, Amlak has successfully repaid 79% of its Islamic deposit liabilities and 59% of Mudaraba Instrument relating to its financiers over a period of approximately eight years, under a 12-years restructuring plan.

The company continued its debt settlement arrangement initiatives through cash and real estate assets swap, which further reduced losses during 2021, as the company fully settled four financiers and partly settled two financiers.

These initiatives continued during 2022 to reduce the accumulated losses and during the nine months period ended 30 September 2022, two financiers were fully settled and three financiers partly settled their exposure.

On October 01 2019, the company announced that it has been awarded AED 780 million in an arbitration administered by the Dubai International Arbitration Center since 2013. The ruling has also awarded Amlak Finance its legal costs and additional compensation. As of 30 September 2021, Amlak had concluded the settlement with the other party with a net value of AED 875 million including land plots with an approximate net value of AED 675 million in addition to the payment of AED 200 million in cash in 4 equal installments over 24 months. Two installments of AED 50 million each have been received till 30 September 2022. The settlement had a positive impact on the company's financial position and the same impact is expected to continue upon receipt of the remaining cash installments.

Authorized to signatory

