Amlak Finance PJSC
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

Amlak Finance PJSC and its Subsidiaries

Contents

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BOARD OF DIRECTORS' REPORT

The Directors present their report and consolidated financial statements for the year ended 31 December 2022.

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 2022 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 Group as of, and for, the years presented in the report.

Signed on behalf of the Board of Directors

23 February 2023
Dubai, United Arab Emirates

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
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 2022, and the consolidated statement of profit or loss, consolidated statement of 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 2022, 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.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Amlak Finance PJSC, Dubai (continued)

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment of Islamic financing and investing assets	
As at 31 December 2022, the Group's gross Islamic financing and investing assets amounted to AED 1.4 billion and the related expected credit loss (ECL) allowance amounted to AED 404 million, comprising AED 39 million against Stage 1 and 2 exposures and AED 365 million against exposures classified under Stage 3. The audit of the impairment of Islamic financing and investing assets is a key area of focus because of its size (representing 41%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 2.4 for critical judgements and estimation used by management and Note 32 for the credit risk disclosure. 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. 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.	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 2022. We tested the design, implementation and operating effectiveness of the relevant controls which included testing: • 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. 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.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Amlak Finance PJSC, Dubai (continued)

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment of Islamic financing and investing assets (continued)	
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. 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.	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. 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. 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. 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.

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Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fair valuation of investment properties	
Investment properties comprise 39% of the total assets of the Group. Investment properties are carried at AED 1.35 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. 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. Refer to the following notes in the financial statements for further detail: • Note 3 – Significant accounting policies on investment properties; • Note 2.4 – Critical accounting judgement and key sources of estimation uncertainty of valuation of investment properties; and • Note 15 – Investment properties.	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: 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; 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. 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. We reperformed the arithmetical accuracy of the valuations on a sample basis. We assessed the disclosures in the consolidated financial statements against the requirements of IFRSs.

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 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 their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, 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 Group 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.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Amlak Finance PJSC, Dubai (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 related disclosures made by management.
- 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 consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Amlak Finance PJSC, Dubai (continued)

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2022:

- 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 Decree Law No. (32) of 2021;
- 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;
- note 13 to the consolidated financial statements of the Group discloses its investments in equity instruments during the financial year ended 31 December 2022;
- note 30 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 as at 31 December 2022;
- based on the information that has been made available to us, the accumulated losses of the Group exceeded 50% of its share capital. Article 302 of the UAE Federal Decree Law No. (22) of 2021 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 2023. Other than this matter, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022, with any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and
- note 33 to the consolidated financial statements discloses social contributions made during the financial year ended 31 December 2022.

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.)

Mohammad Jallad
Registration No. 1164
28 February 2023
Dubai
United Arab Emirates

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	***2022 AED'000***	*2021 AED'000*
Income from Islamic financing and investing assets	4	**126,581**	156,865
Fee and commission income		**3,506**	8,534
Income from investment properties, net	5	**8,668**	10,946
Gain on debt settlement, net	20	**348,928**	387,633
Income on settlement against advance for investment properties	14	-	613,059
Share of results of an associate	17	**17,422**	19,043
Other income	6	**46,591**	12,560
		551,696	1,208,640
Reversal of impairments, net	7	**157,821**	146,163
Amortisation of initial fair value gain on investment deposits	20	**(54,758)**	(64,093)
Operating expenses	8	**(107,210)**	(143,788)
PROFIT BEFORE DISTRIBUTION TO FINANCIERS / INVESTORS		**547,549**	1,146,922
Distribution to financiers / investors	9	**(71,400)**	(87,286)
PROFIT FOR THE YEAR		**476,149**	1,059,636
Profit per share attributable to equity holders of the parent			
Basic profit per share (AED)	10	**0.32**	0.71
Diluted profit per share (AED)	10	**0.19**	0.38

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 **AED'000**	2021 AED'000
Profit for the year	**476,149**	1,059,636
Other comprehensive income		
Item that will be reclassified subsequently to profit or loss:		
Exchange losses on translation of foreign operations	**(83,116)**	(2,479)
Share of other comprehensive income of an associate	**3,351**	-
Items that will not be reclassified subsequently to profit or loss:		
Losses on remeasuring of investment securities	**-**	(597)
Other comprehensive loss for the year	**(79,765)**	(3,076)
Total comprehensive income for the year	**396,384**	1,056,560

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*31 December 2022 AED'000*	*31 December 2021 AED'000*
ASSETS			
Cash and balances with banks	11	**255,696**	189,056
Islamic financing and investing assets	12	**1,419,904**	2,052,252
Investment securities	13	**7,397**	7,824
Investment properties	15	**1,347,043**	1,558,830
Investment in an associate	17	**222,132**	212,799
Other assets	18	**47,732**	47,363
Furniture, fixtures and office equipment	19	**11,120**	12,435
		3,311,024	4,080,559
Assets held for sale	16	**125,953**	-
TOTAL ASSETS		**3,436,977**	4,080,559
LIABILITIES AND EQUITY			
Liabilities			
Investment deposits and other Islamic financing	20	**1,670,602**	2,496,034
Term Islamic financing	21	**166,241**	273,089
Employees' end of service benefits	22	**4,306**	3,309
Other liabilities	23	**135,065**	125,432
Total liabilities		**1,976,214**	2,897,864
Equity			
Share capital	24	**1,500,000**	1,500,000
Statutory reserve	25	**276,229**	228,614
General reserve	26	**276,229**	228,614
Special reserve	27	**99,265**	99,265
Mudaraba Instrument	28	**107,624**	155,567
Mudaraba Instrument reserve	28	**404,627**	584,867
Cumulative changes in fair value		**4,213**	862
Foreign currency translation reserve		**(384,703)**	(301,587)
Accumulated losses		**(822,721)**	(1,313,507)
Total equity		**1,460,763**	1,182,695
TOTAL LIABILITIES AND EQUITY		**3,436,977**	4,080,559

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 23 February 2023 and signed on its behalf by:

Chairman

Chief Executive Officer

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	**2022 AED'000**	2021 AED'000
OPERATING ACTIVITIES			
Profit for the year		**476,149**	1,059,636
Adjustments for:			
Depreciation	19	**2,666**	3,704
Share of results of an associate	17	**(17,422)**	(19,043)
Reversal of impairment, net	7	**(157,821)**	(146,163)
Fair value loss on investment properties	15	**11,149**	12,620
Amortisation of fair value adjustment on investment deposits	20	**54,758**	64,093
Distribution to financiers/investors	9	**71,400**	87,286
Income on deposits	6	**(2,035)**	(1,218)
Gain on initial recognition of repossessed properties	6	**(29,786)**	-
Gain on sale of investment properties	5	**(872)**	(890)
Gain on debt settlement	20	**(348,928)**	(387,633)
Gain on settlement of advance for investment properties	14	-	(613,059)
Provision for employees' end of service benefits	22	**1,416**	689
Operating profit before changes in operating assets and liabilities:		**60,674**	60,022
Islamic financing and investing assets		**510,808**	386,240
Other assets		**(98,386)**	10,549
Other liabilities		**9,990**	16,208
Cash from operations		**483,086**	473,019
Employees' end of service benefits paid	22	**(419)**	(786)
Net cash generated from operating activities		**482,667**	472,233
INVESTING ACTIVITIES			
Dividend from an associate	17	**13,131**	12,367
Sale of investment properties		**21,636**	159,550
Movement in restricted cash flow	11	**(2,524)**	(4,590)
Proceeds on settlement of advance for investment property		**100,000**	50,000
Proceeds from Wakala deposits		**2,202,000**	1,323,000
Placement of Wakala deposits		**(2,094,500)**	(1,558,500)
Purchase of furniture, fixtures and office equipment	19	**(1,435)**	(813)
Income on deposits		**2,035**	1,218
Net cash generated from / (used in) investing activities		**240,343**	(17,768)
FINANCING ACTIVITIES			
Receipt of Term Islamic financing		**37,523**	122,053
Repayment of Term Islamic financing		**(63,280)**	(62,282)
Investment deposits and other Islamic financing		**(464,369)**	(459,375)
Redemption of Mudaraba instrument		**(84,970)**	(56,363)
Director's fee paid		**(682)**	-
Net cash used in financing activities		**(575,778)**	(455,967)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**147,232**	(1,502)
Foreign currency translation reserve		**(83,116)**	(3,122)
Cash and cash equivalents at the beginning of the year		**79,020**	83,644
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**143,136**	79,020
Non-cash transactions:			
Transfer of investment property in settlement of liability		**147,595**	290,728
Initial recognition of repossessed properties		**132,218**	23,304
Addition to investment property in settlement of advance for investment property		**-**	705,840

The attached notes 1 to 36 form part of these consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Mudaraba instrument AED'000*	*Mudaraba Instrument reserve AED'000*	*Cumulative changes in fair value AED'000*	*Foreign Currency Translation Reserve* AED'000*	*Accumulated losses AED'000*	*Total Equity AED'000*
At 31 December 2021	**1,500,000**	**228,614**	**228,614**	**99,265**	**155,567**	**584,867**	**862**	**(301,587)**	**(1,313,507)**	**1,182,695**
Profit for the year	-	-	-	-	-	-	-	-	**476,149**	**476,149**
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	**3,351**	**(83,116)**	-	**(79,765)**
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	**3,351**	**(83,116)**	**476,149**	**396,384**
Transfer to general reserve	-	-	**47,615**	-	-	-	-	-	**(47,615)**	-
Transfer to statutory reserve	-	**47,615**	-	-	-	-	-	-	**(47,615)**	-
Debt settlement adjustment (note 17.2)	-	-	-	-	**(47,943)**	**(180,240)**	-	-	-	**(228,183)**
Gain on debt settlement through equity (note 17.2)	-	-	-	-	-	-	-	-	**110,549**	**110,549**
Director's fee paid	-	-	-	-	-	-	-	-	**(682)**	**(682)**
At 31 December 2022	1,500,000	276,229	276,229	99,265	107,624	404,627	4,213	(384,703)	(822,721)	1,460,763

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2022

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Mudaraba instrument AED'000*	*Mudaraba Instrument reserve AED'000*	*Cumulative changes in fair value AED'000*	*Foreign Currency Translation Reserve* AED'000*	*Accumulated losses AED'000*	*Total Equity AED'000*
At 1 January 2021	1,500,000	122,650	122,650	99,265	204,896	770,324	1,459	(299,108)	(2,277,605)	244,531
Profit for the year	-	-	-	-	-	-	-	-	1,059,636	1,059,636
Other comprehensive loss for the year	-	-	-	-	-	-	(597)	(2,479)	-	(3,076)
Total comprehensive income/(loss) for the year	-	-	-	-	-	-	(597)	(2,479)	1,059,636	1,056,560
Transfer to general reserve	-	-	105,964	-	-	-	-	-	(105,964)	-
Transfer to statutory reserve	-	105,964	-	-	-	-	-	-	(105,964)	-
Debt settlement adjustment (note 17.2)	-	-	-	-	(49,329)	(185,457)	-	-	-	(234,786)
Gain on debt settlement through equity (note 17.2)	-	-	-	-	-	-	-	-	116,390	116,390
At 31 December 2021	1,500,000	228,614	228,614	99,265	155,567	584,867	862	(301,587)	(1,313,507)	1,182,695

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

The attached notes 1 to 36 form part of these consolidated financial statements.

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 and was amended by the Federal Decretal Law No. 26 of 2020 issued on 27 September 2020 and the Decretal Federal Law No. (14) of 2018.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and came into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law").

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 the shrinking of the financing assets portfolio, the Group has reported a decline in financing income. The Group has inventory of investment properties and other investments outside the UAE which are required to be disposed of by June 2023 to continue to remain compliant with the Finance Companies Regulations. Continued delinquencies in the financing assets portfolio also poses a future risk to generate sufficient cashflow to meet the repayment obligation of financiers.

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

- Debt settlement auctions undertaken throughout the year generated a net profit of AED 349 million (31 December 2021 AED 388 million) during the year.
- Planned offloading of assets within the real estate portfolio throughout the year generated a net profit of AED 93 million (31 December 2021 AED 199 million) during the year.
- Exploring different options to address investments in order to remain compliant with regulations.

Management has witnessed increased demand for certain properties within the Group's investment property portfolio and expects this to continue throughout 2022 given the various government initiatives being implemented. These realisations will ultimately contribute to profitability of the Group.

The Central Bank (CB) in its examination report 2021 pointed out that, growing the financing assets is critical, without which Amlak may not generate sufficient cash flows in future to meet financiers obligations. Further, the company is not competitive with other banks in terms of pricing the financing portfolio and has a significant inventory of real estate assets which may pose a risk on the company to become non-compliant with the Finance Companies Regulations by June 2023.

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.

2 ACCOUNTING POLICIES (continued)

2.1 ASSESSMENT OF GOING CONCERN ASSUMPTION (continued)

Basis of preparation
The Group consolidated financial statements have been prepared under the historical cost basis except for investment properties carried at fair value and investment securities measured at fair value through other comprehensive income.

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 Internal Sharia Supervision Committee 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 2022.

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.

2 ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

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* **2022**	*2021*
Amlak Finance Egypt Company (S.A.E.)	Subsidiary	Egypt	**100%**	100%
Amlak Sky Gardens LLC	Subsidiary	UAE	**100%**	100%
Amlak Holding Limited	Subsidiary	UAE	**100%**	100%
Warqa Heights LLC	Subsidiary	UAE	**100%**	100%
Amlak Capital LLC	Subsidiary	UAE	**100%**	100%
Amlak Property Investment LLC	Subsidiary	UAE	**100%**	100%
Amlak Limited	Subsidiary	UAE	**100%**	100%
Amlak Nasr City Real Estate Investment LLC	Subsidiary	Egypt	**100%**	100%

2.2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

New and revised IFRSs applied on the consolidated financial statements:

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements. The application of these revised IFRS has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 16 *Property, plant and equipment relating to proceeds before intended use*;
- Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets relating to onerous contracts*;
- Amendments to IFRS 3 *Business Combinations* relating to reference to conceptual framework; and
- Annual improvements to IFRS standards 2018 – 2020.

2.3 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 completion and delivery by the developer, from whom the lessor has purchased the property. The lessee pays on-account rentals during the construction period which is setoff against lease rental obligations which commence 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 Ijara, the 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.

2 ACCOUNTING POLICIES (continued)

2.3 DEFINITIONS (continued)

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 Internal Sharia Supervision Committee.

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 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.

2.4 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 2022 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 profit on the principal amount outstanding.

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS (continued)

(i) Financial instruments (continued)

- Calculation of expected credit loss (ECL): Assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 20221. 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 exposure 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 and 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.

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.

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS (continued)

(ii) Financial instruments (continued)

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 Group 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 workgroup to provide oversight to the IFRS 9 impairment process. The workgroup is comprised of senior representatives from Finance and Risk Management 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.

(iii) 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.

(iv) 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.

(v) 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.

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS (continued)

(vi) Contingent liability arising from litigations (continued)
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are applied prospectively.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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 profit and loss. 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.

(xi) 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.

2 ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS (continued)

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.

2.5 New and revised IFRSs in issue but not yet effective

The Group has not early adopted the following new and revised standards that have been issued but are not yet effective. The management is in the process of assessing the impact of the new requirements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 8 *Accounting policies, Changes in accounting estimates and errors*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements relating to classification of Liabilities as Current or Non-Current*	1 January 2023
Amendment to IFRS 17 *Insurance contracts*	1 January 2023
Amendment to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures relating to treatment of sale or contribution of assets from investors*	Effective date deferred indefinitely.

2 ACCOUNTING POLICIES (continued)

2.5 New and revised IFRSs in issue but not yet effective (continued)

The Group anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of Group in the period of initial application.

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 2.2.

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers(continued)
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 Internal Sharia Supervision Committee.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Islamic financing and investing assets(continued)
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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Assets held for sale
Assets held for sale classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Initial recognition and measurement (continued)

a) Financial assets (continued)

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 requirements 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

a) Financial assets (continued)

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

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
  (b) 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

a) Financial assets (continued)

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. Dividends are 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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Financial liabilities (continued)

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Zakat
Zakat is computed on the following basis:

- Zakat on shareholders' equity is computed on their Zakat pool (shareholders' equity less paid up capital, plus employees' end of service benefits).
- Zakat on the paid up capital is not included in the Zakat computation as well and is payable by the shareholders personally.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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.

4 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2022	*2021*
	AED'000	*AED'000*
Financing assets:		
Ijarah	**113,027**	138,511
Forward Ijarah	**1,867**	7,003
Shirkatul Milk	**3,304**	9,267
Others	**426**	250
	118,624	155,031
Investing assets:		
Wakala	**7,957**	1,834
	126,581	156,865

5 INCOME FROM INVESTMENT PROPERTIES

	2022	*2021*
	AED'000	*AED'000*
Rental income	**17,699**	22,676
Gain on sale of investment properties in joint operation-net of cost (note 15)	**1,246**	-
Gain on sale of investment properties	**872**	890
Fair value loss on investment properties	**(11,149)**	(12,620)
	8,668	10,946

6 OTHER INCOME

	2022	*2021*
	AED'000	*AED'000*
Gain on initial recognition of repossessed properties	**29,786**	-
Reversal of legal claims provision	**5,400**	427
Reversal of liabilities no longer payable	**5,102**	5,316
Income on deposits and saving accounts	**2,035**	1,218
Others	**4,268**	5,599
	46,591	12,560

7 Impairments, net

		2022 AED'000	2021 AED'000
Reversal / (Impairment) on:			
- Islamic financing and investing assets	12	**28,198**	(26,463)
- Investment properties	15	**27,640**	30,375
- Other assets		**1,983**	(530)
- Advances for investment properties	14	**100,000**	142,781
		157,821	146,163

8 OPERATING EXPENSES

	2022 AED'000	2021 AED'000
Personnel expenses	**42,823**	40,218
Legal, consultancy and professional	**20,207**	29,024
Property management (note 13)	**13,585**	13,692
Business process	**4,894**	4,685
IT related expense	**2,281**	4,373
Depreciation	**2,666**	3,704
Rent	**930**	1,191
Marketing and selling expenses	**764**	4,017
Registration charges	**587**	31,845
Others	**18,473**	11,039
	107,210	143,788

9 DISTRIBUTION TO FINANCIERS / INVESTORS

The distribution of profit between the financiers and shareholders has been made in accordance with a basis ratified by the Internal Sharia Supervision Committee and in accordance with the agreements with the respective financiers.

10 BASIC AND DILUTED PROFIT PER SHARE

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

Diluted profit per share is calculated by dividing the profit attributable to equity holders of the parent for the year net of directors' fees 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:

	2022 AED'000	2021 AED'000
Profit for the year attributable to equity holders of the parent net of Directors' fee (AED'000)	**475,468**	1,059,636
Weighted average number of shares for basic EPS (in thousands)	**1,500,000**	1,500,000
Effect of dilution:		
Mudaraba Instrument (in thousands)	**941,231**	1,278,494
Weighted average number of ordinary shares adjusted for the effect of dilution	**2,441,231**	2,778,494

Attributable to equity holders of the parent:	2022	2021
Basic profit per share (AED)	**0.32**	0.71
Diluted profit per share (AED)	**0.19**	0.38

11 CASH AND BALANCES WITH BANKS

		2022 AED'000	2021 AED'000
Cash on hand		**58**	58
Balances with banks		**143,078**	78,962
Deposits with banks		**112,560**	110,036
Cash and balances with banks		**255,696**	189,056
Less: Restricted cash and deposits			
Regulatory deposit with no maturity	(note 11.1)	**(35,000)**	(35,000)
Restricted cash	(note 11.2)	**(77,560)**	(75,036)
Cash and cash equivalents		**143,136**	79,020

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

11.2 At year end, the Group reported AED 78 million (31 December 2021: AED 75 million) of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture (note 13).

12 ISLAMIC FINANCING AND INVESTING ASSETS

	2022 AED'000	2021 AED'000
Financing assets:		
Ijarah	**1,275,983**	1,777,788
Forward Ijarah	**116,459**	204,571
Shirkatul Milk	**4,914**	68,830
Real estate Murabaha	**107**	278
Others	**54,617**	94,044
	1,452,080	2,145,511
Allowance for impairment	**(404,176)**	(572,759)
Total financing assets	**1,047,904**	1,572,752
Investing assets:		
Wakala	**372,000**	479,500
Total investing assets	**372,000**	479,500
	1,419,904	2,052,252

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

	2022 AED'000	2021 AED'000
Within U.A.E.	**1,231,951**	1,749,140
Outside U.A.E.	**187,953**	303,112
	1,419,904	2,052,252

12 ISLAMIC FINANCING AND INVESTING ASSETS (continued)

The movement in the allowance for impairment is as follows:

	2022 ***AED'000***	*2021* *AED'000*
Balance at 1 January	**572,759**	627,970
(Allowances) / reversal for impairment made during the year	**(19,928)**	29,504
Write back / recoveries made during the year	**(8,270)**	(3,041)
	(28,198)	26,463
Amounts written off during the year	**(140,182)**	(79,277)
Exchange and other adjustments	**(203)**	(2,397)
Closing balance	**404,176**	572,759

12.1 Allowance for impairment includes AED 86 million (2021: AED 81 million) in respect of profit in suspense for impaired financing and investing assets.

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

12.3 Carrying value of exposure by stage

31 December 2022

	Stage 1 ***AED'000***	***Stage 2*** ***AED'000***	***Stage 3*** ***AED'000***	***Total*** ***AED'000***
Gross Exposure	**658,311**	**235,890**	**557,879**	**1,452,080**
Expected Credit Losses	**(17,437)**	**(21,624)**	**(365,115)**	**(404,176)**
	640,874	**214,266**	**192,764**	**1,047,904**

31 December 2021

	Stage 1 *AED'000*	*Stage 2* *AED'000*	*Stage 3* *AED'000*	*Total* *AED'000*
Gross Exposure	797,373	544,232	803,906	2,145,511
Expected Credit Losses	(16,692)	(53,953)	(502,114)	(572,759)
	780,681	490,279	301,792	1,572,752

13 INVESTMENT SECURITIES

	2022 AED'000	*2021 AED'000*
Equities (FVOCI)	**7,397**	**7,824**

31 December 2022

		Investments carried at fair value		
	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
Equities (FVOCI)	**7,397**	**-**	**-**	**7,397**

31 December 2021

		Investments carried at fair value		
	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Equities (FVOCI)	7,824	-	-	7,824

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:

	2022 AED'000	*2021 AED'000*
Balance at 1 January	**7,824**	8,420
Decline in fair value	-	(597)
Exchange movement	**(427)**	1
Balance at 31 December	**7,397**	7,824

14 ADVANCES FOR INVESTMENT PROPERTIES

The Group paid advances towards the acquisition of units in under-development real estate project in Dubai. The project 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 2020: AED Nil). During the year ended 31 December 2019, the arbitration was awarded in the Group's favor with the cancelation of the original SPAs and addendum. Post arbitration ruling in Amlak's favor, negotiation for a settlement was initiated with the developer, which was concluded in September 2021, with a settlement for undeveloped plots approximately valued at AED 706 million and four cash installments of AED 50 million each, over 2 years.

During the year ended 31 December 2022, two cash installments of AED 100 million were received, accordingly provision of same amount was released. Since settlement date the Group has received in total three instalments amounting to AED 150 million as of 31 December 2022.

15 INVESTMENT PROPERTIES

	2022	*2021*
	AED'000	*AED'000*
At 1 January	**1,558,830**	1,251,854
Additions during the year	**137,312**	32,588
Additions on settlement of advance for investment properties (note 14)	-	705,840
Disposals during the year	**(18,564)**	(158,660)
Fair value loss on investment properties	**(11,149)**	(12,620)
Investment properties exchanged in debt settlement (note 20.2)	**(147,595)**	(290,728)
Investment properties transferred to held for sale (Note 16)	**(125,953)**	**-**
Foreign exchange fluctuation	**(73,478)**	181
Reversal of provision on foreclosed properties	**27,640**	30,375
At 31 December	**1,347,043**	1,558,830

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 valuer who hold a recognised relevant professional qualification and has 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.

Provision of AED 30 million on foreclosed properties was maintained at end of the year 2021, as recommended by the Central Bank. Due to the sale of certain properties during the current year a provision of AED 28 million has been released on the foreclosed properties.

All investment properties are located within the UAE. Except for investment properties in a joint operations, investment properties are categorised as Level 3 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 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 3 category during the year

Valuation technique used for investment properties in the joint venture -Warqa Gardens Project- has been derived using the comparable price approach based on comparable transactions for similar properties . Inputs used by valuator include sale price range is from AED 80 to AED 100 per sqft for mixed use plots. Sales price for showroom plots is AED 294 per sqft and for school plots is AED 250 per sqft.

As at 31 December 2022, investment properties having fair value of AED 544 million (31 December 2021: AED 574 million) are mortgaged / assigned in favor of the security agent as part of the restructuring (note 20).

	2022	*2021*
	AED'000	*AED'000*
Rental income derived from investment properties	**17,699**	22,676
Direct operating expenses (including repairs and maintenance) generating rental income	**(13,585)**	(13,692)
Profit arising from rental on investment properties carried at fair value	**4,114**	8,984

15 INVESTMENT PROPERTIES (continued)

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. 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 was under development with a view to disposal in the market, it had been treated as property under development with an initial cost equal to its fair value at the time of transfer to investment property portfolio for AED 330 million in June 2019. 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 2022 is AED 78 million (31 December 2021: AED 75 million).

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

	2022	*2021*
	AED'000	*AED'000*
Investment properties	**232,428**	240,980
Cash and balances with banks (Note 11)	**77,560**	75,036
Other assets – receivables (note 18.2)	**3,401**	6,871
Deferred income and other liabilities	**(11,063)**	(15,300)
Net Assets	**302,326**	307,587
Income on deposits	**1,162**	573
Other income	**1,410**	384
Income on sales	**1,246**	-
Operating expenses	**(3,766)**	(34)
Profit for the year	**52**	923

16 ASSETS HELD FOR SALE

Assets held for sale include a plot of land with total area of 42,676.39 sqm in Egypt owned by the Group's subsidiary and was reclassified from investment properties during the year based on management decision to sell itand was measured at fair value conducted by an independent professionally qualified valuer who holds a recognized relevant professional qualification and has relevant experience in the location. As at 31 December 2022 asset is measured at the lower of carrying amount and fair value less costs to sell.

	2022	*2021*
	AED'000	*AED'000*
Carrying value	**125,953**	-
	125,953	-

17 INVESTMENT IN AN ASSOCIATE

Amlak International for Real Estate Finance Company Saudi Arabia (AIRE) is Saudi joint stock company established to provide real estate finance under Saudi Central Bank (SAMA) regulations

	Percentage holding		***2022***	*2021*
	2022	*2021*	***AED'000***	*AED'000*
Amlak International for Real Estate Finance Company, Saudi Arabia (AIRE)	**18.35%**	18.35%	**222,132**	212,799

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

	2022	*2021*
	AED'000	*AED'000*
Assets	**3,365,565**	3,460,956
Liabilities	**(2,166,865)**	(2,300,185)
Equity	**1,198,700**	1,160,771
Group's carrying amount of the investment	**222,132**	212,799
Revenue	**285,464**	282,295
Profit for the year	**94,941**	104,661
Group's share of profit for the year	**17,422**	19,043

During the year, the Group received a dividend of AED 13.13 million (2021: AED 12.37 million) from AIRE. Financial information and results of AIRE are based on the latest available management accounts as at 30 November 2022 (2021: as at 30 November 2021) and extrapolated for the remaining 1 month (2021: 1 month) to 31 December 2022.

18 OTHER ASSETS

	2022	*2021*
	AED'000	*AED'000*
Land registration and service fees	**10,040**	8,842
Foreclosed accounts receivables (note 18.1)	**7,010**	24,327
Advances	**4,609**	1,887
Profit receivable	**3,414**	859
Prepayments	**2,223**	1,397
Others (note 18.2)	**20,436**	10,051
	47,732	47,363

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

18.2 Balance includes AED 3.40 million (31 December 2021: AED 6.87 million) pertaining to receivables of Al Warqa Gardens LLC (Note 15).

19 FURNITURE, FIXTURES AND OFFICE EQUIPMENT

	2022 ***AED'000***	*2021* *AED'000*
Furniture, fixtures and office equipment (note 19.1)	**10,697**	**12,326**
Capital work in progress (note 19.2)	**423**	**109**
	11,120	**12,435**

19.1 Furniture, fixtures and office equipment are as follows:

2022:

	Head Office *AED'000*	*Furniture and fixtures* *AED'000*	*Computers and office equipment* *AED'000*	*Total* *AED'000*
Cost:				
At 1 January 2022	**8,338**	**16,710**	**67,699**	**92,747**
Additions during the year	**-**	**40**	**1,081**	**1,121**
Exchange adjustments	**-**	**(165)**	**(597)**	**(762)**
At 31 December 2022	**8,338**	**16,585**	**68,183**	**93,106**
Accumulated depreciation:				
At 1 January 2022	**501**	**15,316**	**64,604**	**80,421**
Depreciation charge for the year	**334**	**441**	**1,891**	**2,666**
Exchange adjustments	**-**	**(154)**	**(524)**	**(678)**
At 31 December 2022	**835**	**15,603**	**65,971**	**82,409**
Net book value:				
At 31 December 2022	**7,503**	**982**	**2,212**	**10,697**

2021:

	Head Office *AED'000*	*Furniture and fixtures* *AED'000*	*Computers and office equipment* *AED'000*	*Total* *AED'000*
Cost:				
At 1 January 2021	8,338	15,702	66,402	90,442
Additions during the year	-	1,008	1,290	2,298
Exchange adjustments	-	-	7	7
At 31 December 2021	8,338	16,710	67,699	92,747
Accumulated depreciation:				
At 1 January 2021	167	14,851	61,718	76,736
Depreciation charge for the year	334	469	2,901	3,704
Exchange adjustments	-	(4)	(15)	(19)
At 31 December 2021	501	15,316	64,604	80,421
Net book value:				
At 31 December 2021	7,837	1,394	3,095	12,326

19.2 The amount relates to ongoing IT projects.

20 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING

	Frequency of instalments	*Final instalment date*	*Profit rate*	***2022 AED'000***	*2021 AED'000*
Purchase price payable	Monthly	25 October 2026	2%	**1,815,051**	2,771,763
				1,815,051	2,771,763
Unamortised fair value adjustment (note 20.1)				**(144,449)**	(275,729)
				1,670,602	2,496,034

20.1 Unamortised fair value adjustment

	2022 AED'000	*2021 AED'000*
At 1 January	**275,729**	417,041
Amortisation charged for the year - regular	**(54,758)**	(64,093)
Amortisation charged for the year - debt settlement	**(76,522)**	(77,219)
	144,449	275,729

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 profit or loss.

In June 2020, the Company again undertook restructuring of the deposits of Commercial financiers; the face value of the restructured fixed obligations at 30 June 2020 is AED 4,219 million. Upon revised restructuring, repayment behaviour was significantly changed resulting into scheduled and non scheduled instalment payments wherein:

- 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.

The fair value adjustment is calculated using the original effective profit rate of 4.89%. The cumulative value of fair value gain amortised up to 30 June 2020 was AED 627 million (31 December 2020: AED 584 million) giving a residual fair value gain of AED 284 million as at 30 June 2020 (31 December 2020: 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 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.

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.

20 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING (continued)

20.2 Debt Settlement

Based on the revised CTA, the Group initiated debt settlement auctions either through a cash swap or an asset swap during the year ended 31 December 2022.

For the debt settlement through cash, a cash consideration of AED 383 million (31 December 2021: AED 267 million) was offered to financiers against settlement of their exposures and certain financiers settled their exposure of AED 782 million (31 December 2021: AED 566 million) which included investment deposits of AED 608 million (31 December 2021, AED 447 million), Mudaraba Instrument of AED 166 million (31 December 2021: AED 115 million) and profit in kind of AED 8 million.(31 December 2021: AED 4 million). As a result of this settlement, the Group has recorded a gain of AED 256 million (31 December 2021: AED 189 million) in statement of profit or loss after netting of amortization of fair value adjustment on restructuring amounting to AED 55 million (31 December 2021: AED 46 million) and recorded a gain of AED 85 million (31 December 2021: AED 59 million) related to Mudaraba instrument, in statement of changes in equity.

For the debt settlement through asset swap, consideration in form of investment properties amounting to AED 148 million was offered to financiers against settlement of their exposures and certain financiers settled their exposure of AED 295 million which included investment deposits of AED 230 million, Mudaraba Instrument of AED 62 million and profit in kind of AED 3 million. As a result of this settlement, the Group has recorded a gain of AED 93 million in statement of profit or loss after netting of amortization of fair value adjustment on restructuring amounting to AED 22 million and recorded a gain of AED 31 million related to Mudaraba instrument, in statement of changes in equity.

21 TERM ISLAMIC FINANCING

	2022	*2021*
	AED'000	*AED'000*
Egyptian Mortgage Refinance Company (note 21.1)	**76,045**	133,855
National Bank of Egypt (NBE)	**48,977**	63,746
Ahli United	**25,577**	34,350
Egyptian Arab Land Bank (note 21.2)	**14,280**	30,496
Suez Canal - Egypt	**1,362**	10,642
	166,241	273,089

21.1 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 513 million (31 December 2021: Egyptian Pounds 574 million) to finance the subsidiary's activities. These facilities carry a profit rate range from 1% per annum to 19% per annum (2021: 1% per annum to 19% per annum) payable on a monthly basis over a maximum period of 20 years.

21.2 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 96 million (31 December 2021: Egyptian Pounds 131 million) to finance the subsidiary's activities. These facilities carry a profit rate of 1.5% per annum plus average corridor rate from Central Bank of Egypt (2021: 1.5%) payable on a monthly basis over a maximum period of 7 years.

22 EMPLOYEES' END OF SERVICE BENEFITS

	2022	*2021*
	AED'000	*AED'000*
At 1 January	**3,309**	3,406
Provided during the year	**1,416**	689
Paid during the year	**(419)**	(786)
At 31 December	**4,306**	3,309

23 OTHER LIABILITIES

	2022 AED'000	2021 AED'000
Provisions and accruals	**71,174**	60,042
Provision for litigation claims (note 23.1)	**18,155**	13,853
Dividend payable	**6,451**	6,464
Unearned rental income	**3,490**	-
Anticipated profits payable on investment deposits and other Islamic financing	**721**	1,078
Zakat payable	**56**	56
Other payables (note 23.2)	**35,018**	43,939
	135,065	125,432

23.1 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.

23.2 This includes AED 11 million (31 December 2021: AED 15.3 million) pertaining to deferred income and other liabilities of Al Warqa Gardens LLC (note 13).

24 SHARE CAPITAL

	2022 AED'000	2021 AED'000
Authorised, Issued and fully paid		
1,500,000,000 shares of AED 1 each (31 December 2021: 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.

25 STATUTORY RESERVE

As required by the UAE Federal Law No. (32) of 2021 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. During the year, the Company transferred AED 48 million (31 December 2021: AED 106 million) to statutory reserve.

26 GENERAL RESERVE

As per the Company's Articles of Association, the remaining amounts of the net profits are distributed among the shareholders or shall be moved to the subsequent year pursuant to a recommendation made by the Board of Directors, or allocated to form an extraordinary reserve, all in accordance with the General Assembly resolutions. During the year, the Company transferred AED 48 million (31 December 2021: AED 106 million) to general reserves.

27 SPECIAL RESERVE

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

28 MUDARABA INSTRUMENT

	2022	*2021*
	AED'000	*AED'000*
Mudaraba Instrument (nominal value)	**512,251**	740,434
Mudaraba Instrument Reserve	**(404,627)**	(584,867)
Mudaraba Instrument (carrying value)	**107,624**	155,567

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.

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 Company also paid AED 9 million in 2015, 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.

28 MUDARABA INSTRUMENT (continued)

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 AED 59 million respectively. The Company also paid AED 25 million in 2017, 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 2022 the Group redeemed Mudaraba instrument in the value of AED 228 million (31 December 2021: AED 235 million) through the debt settlement mechanism (note 20).

At 31 December 2022, the maximum number of shares which may convert under the instrument are 755 million (31 December 2021: 1,092 million).

29 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:

2022:

	Real Estate Finance AED'000	*Real Estate Investment AED'000*	*Corporate Finance Investments AED'000*	*Total AED'000*
Operating income	**496,875**	**(499)**	**55,320**	**551,696**
Distribution to financiers / investors	**(31,724)**	**(30,483)**	**(9,193)**	**(71,400)**
Allowances for impairment	**55,615**	**101,479**	**727**	**157,821**
Amortization of initial fair value gain on investment deposits	**(24,330)**	**(23,378)**	**(7,050)**	**(54,758)**
Expenses (including allocated expenses)	**(61,623)**	**(29,777)**	**(15,810)**	**(107,210)**
Segment results	**434,813**	**17,342**	**23,994**	**476,149**

29 SEGMENTAL INFORMATION (continued)

Operating segments (continued)

2021:

	Real Estate Finance AED'000	*Real Estate Investment AED'000*	*Corporate Finance Investments AED'000*	*Total AED'000*
Operating income	563,928	587,507	57,205	1,208,640
Distribution to financiers / investors	(41,804)	(33,897)	(11,585)	(87,286)
Allowances for impairment	10,694	136,417	(948)	146,163
Amortization of initial fair value gain on investment deposits	(30,696)	(24,890)	(8,507)	(64,093)
Expenses (including allocated expenses)	(69,011)	(60,238)	(14,539)	(143,788)
Segment results	433,111	604,899	21,626	1,059,636

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

2022:

	Real Estate Finance AED'000	*Real Estate Investment AED'000*	*Corporate Finance Investments AED'000*	*Total AED'000*
Segment assets	**1,523,640**	**1,474,812**	**438,525**	**3,436,977**
Segment liabilities	**1,760,079**	**32,631**	**183,504**	**1,976,214**
Depreciation	**2,514**	-	**152**	**2,666**
Capital expenditure	**423**	-	-	**423**

2021:

	Real Estate Finance AED'000	*Real Estate Investment AED'000*	*Corporate Finance Investments AED'000*	*Total AED'000*
Segment assets	1,954,307	1,584,665	541,587	4,080,559
Segment liabilities	2,584,438	32,686	280,740	2,897,864
Depreciation	3,482	-	222	3,704
Capital expenditure	109	-	-	109

30 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 2022:

	Major shareholders AED'000	***Directors and senior management AED'000***	***Other related parties AED'000***	***Total AED'000***
Islamic financing and investing assets	**-**	**315**	**-**	**315**
Investment deposits	**55,524**	**-**	**121,416**	**176,940**
Other liabilities	**22**	**-**	**47**	**69**

31 December 2021:

	Major shareholders AED'000	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Islamic financing and investing assets	-	2,788	-	2,788
Investment deposits	107,093	-	60,979	168,072
Other liabilities	42	-	24	66

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

31 December 2022:

	Major shareholders AED'000	***Directors and senior management AED'000***	***Other related parties AED'000***	***Total AED'000***
Income from Islamic financing and investing assets	**-**	**26**	**-**	**26**
Distributions to financiers / investors	**1,751**	**-**	**2,539**	**4,291**

31 December 2021:

	Major shareholders AED'000	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Income from Islamic financing and investing assets	-	243	75	318
Distributions to financiers / investors	2,229	-	1,269	3,498

30 RELATED PARTY TRANSACTIONS (continued)

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

	2022	*2021*
	AED'000	*AED'000*
Salaries and other benefits	**13,206**	8,913
Employee terminal benefits	**328**	425
	13,534	9,338

31 COMMITMENTS AND CONTINGENCIES

Commitments

	Notes	***2022*** ***AED'000***	*2021* *AED'000*
Irrevocable commitments to advance financing	31.1	**7,000**	96,038
		7,000	96,038

31.1 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.

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 18 million (2021: AED 23 million) has been made.

b) As at 31 December 2022, the Group had a contingent liability for proposed Directors' remuneration of AED 2 million (2021: AED 3 million). Directors' remuneration is governed by UAE Federal Law No (32) of 2021. AED 0.682 million was paid during the year.

32 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.

32 RISK MANAGEMENT (continued)

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 Internal Sharia Supervision Committee 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 Internal Sharia Supervision Committee are coordinated and implemented by the management of the Group. The management of the Group seeks guidance from the Internal Sharia Supervision Committee 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 MANCO and Board Risk Committee (BRC) on quarterly basis.

32 RISK MANAGEMENT (continued)

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 12.

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. However, Group is not originating any new business as a result of restriction laid by CBUAE during 2021.

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 diversified sectorally and by nationalities. Few per-party risk concentrations that were observed are monitored and reported to BRC.

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.

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.

32 RISK MANAGEMENT (continued)

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 ERM 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.

32 RISK MANAGEMENT (continued)

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.

	Gross maximum exposure 2022 AED'000	*Gross maximum exposure 2021 AED'000*
Balances with banks (note 11)	**255,638**	188,998
Islamic financing and investing assets (note 12)	**1,419,904**	2,052,252
Other assets (excluding prepayments) (note 15)	**45,509**	45,966
Total credit risk exposure	**1,721,051**	2,287,216

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.

32 RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2022

		Neither impaired nor past due on reporting date			*Past due but not impaired on reporting date*				*Individually impaired on reporting date*		
	Carrying amount AED'000	*Low/fair risk AED'000*	*Watch list AED'000*	*Re-negotiated terms AED'000*	*<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*
Balances with banks	**255,638**	**255,638**	-	-	-	-	-	-	-	-	-
Islamic financing and investing assets	**1,419,904**	**433,817**	**241,058**	**47,222**	**194,850**	**48,742**	**55,504**	**269,315**	**129,396**	**(404,176)**	**533,572**
Other assets (excluding prepayments)	**45,509**	**35,469**	**10,040**	-	-	-	-	-	-	-	-
	1,721,050	**724,925**	**251,098**	**47,222**	**194,850**	**48,742**	**55,504**	**269,314**	**129,396**	**(404,176)**	**533,572**

32 RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2021

		Neither impaired nor past due on reporting date			*Past due but not impaired on reporting date*				*Individually impaired on reporting date*		
	Carrying amount AED'000	*Low/fair risk AED'000*	*Watch list AED'000*	*Re-negotiated terms AED'000*	*<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*
Balances with banks	188,998	188,998	-	-	-	-	-	-	-	-	-
Islamic financing and investing assets	2,052,252	538,874	241,058	289,655	216,071	91,742	107,028	102,701	465,123	(478,080)	943,203
Other assets (excluding prepayments)	45,966	37,124	8,842	-	-	-	-	-	-	-	-
	2,287,216	764,996	249,900	289,655	216,071	91,742	107,028	102,701	465,123	(478,080)	943,203

* 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 65 million (31 December 2021: AED 103 million).

32 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.

	2022			*2021*		
	% 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%**	**164**	**7,602**	± 5%	316	11,761

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.

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 2022.

	2022 AED '000	*2021 AED '000*
Effect of a ± 50 bps change in EIBOR	± **7,804**	± 9,384
Effect of a ± 100 bps change in EIBOR	± **15,609**	±18,768

32 RISK MANAGEMENT (continued)

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.

32 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2022

	Expected Profit rate %	*Up to 1 year: Less than 3 months AED'000*	*Up to 1 year: 3 months to 6 months AED'000*	*Up to 1 year: 6 months to 1 year AED'000*	*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*
Investment deposits and other Islamic financing	**2%**	**53,424**	**38,722**	**76,893**	**169,039**	**1,768,725**	**-**	**-**	**1,937,764**
Term Islamic financing	**1% - 19%**	**6,731**	**6,235**	**12,251**	**25,217**	**59,343**	**81,681**	**-**	**166,241**
		60,155	**44,957**	**89,145**	**194,256**	**1,828,068**	**81,681**	**-**	**2,104,005**
OFF BALANCE SHEET ITEMS									
Commitments		**-**	**7,000**	**-**	**7,000**	**-**	**-**	**-**	**7,000**

At 31 December 2021

	Expected Profit rate %	*Up to 1 year: Less than 3 months AED'000*	*Up to 1 year: 3 months to 6 months AED'000*	*Up to 1 year: 6 months to 1 year AED'000*	*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*
Investment deposits and other Islamic financing	2%	46,128	46,176	109,707	202,011	2,799,258	-	-	3,001,269
Term Islamic financing	1% - 19%	16,208	15,184	29,624	61,016	136,141	134,180	-	331,336
		62,336	61,360	139,331	263,027	2,935,399	134,180	-	3,332,605
OFF BALANCE SHEET ITEMS									
Commitments		4,038	-	7,000	11,038	85,000	-	-	96,038

32 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 2022	*Up to 1 year*							
	Less than 3 months AED'000	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*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*
Assets								
Cash and balances with banks	143,136	-	-	143,136	77,560	-	35,000	255,696
Islamic financing and investing assets	358,697	30,982	60,743	450,422	399,034	570,448	-	1,419,904
Investment securities	-	-	7,397	7,397	-	-	-	7,397
Investment properties	4,250	7,400	88,945	100,595	1,246,448	-	-	1,347,043
Assets held for sale	-	-	125,953	125,953	-	-	-	125,953
Investment in an associate	-	-	-	-	222,132	-	-	222,132
Other assets	6,095	12,744	14,316	33,155	14,577	-	-	47,732
Furniture, fixture and office equipment	-	-	-	-	-	-	11,120	11,120
Total assets	512,178	51,126	297,354	860,658	1,959,751	570,448	46,120	3,436,977
Liabilities								
Investment deposits and other Islamic financing	27,581	27,581	55,162	110,324	1,560,278	-	-	1,670,602
Term Islamic financing	6,992	6,477	12,727	26,196	61,645	78,400	-	166,241
Employees' end of service benefits	-	-	-	-	-	-	4,306	4,306
Other liabilities	25,871	17,646	54,091	97,608	37,457	-	-	135,065
Total liabilities	60,444	51,704	121,980	234,128	1,659,380	78,400	4,306	1,976,214
Commitments	-	7,000	-	7,000	-	-	-	7,000
Net liquidity gap	451,734	(7,578)	175,374	619,530	300,371	492,048	41,814	1,453,763
Cumulative net liquidity gap	451,734	444,156	619,530	619,530	919,901	1,411,949	1,453,763	1,453,763

32 RISK MANAGEMENT (continued)

Liquidity risk (continued)
The liquidity risk table above

Maturity analysis of assets and liabilities (continued)

31 December 2021

	Up to 1 year							
	Less than 3 months AED'000	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*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*
Assets								
Cash and balances with banks	79,020	-	-	79,020	75,036	-	35,000	189,056
Islamic financing and investing assets	443,485	89,824	92,965	626,274	467,505	958,473	-	2,052,252
Investment securities	-	7,824	-	7,824	-	-	-	7,824
Investment properties	24,028	254,982	89,590	368,600	1,190,230	-	-	1,558,830
Investment in an associate	-	-	-	-	212,799	-	-	212,799
Other assets	9,774	952	32,296	43,022	4,341	-	-	47,363
Furniture, fixture and office equipment	-	-	-	-	-	-	12,435	12,435
Total assets	556,307	353,582	214,851	1,124,740	1,949,911	958,473	47,435	4,080,559
Liabilities								
Investment deposits and other Islamic financing	29,257	29,257	74,767	133,281	2,362,753	-	-	2,496,034
Term Islamic financing	11,062	10,247	20,135	41,444	97,525	134,120	-	273,089
Employees' end of service benefits	-	-	-	-	-	-	3,309	3,309
Other liabilities	48,475	7,626	43,972	100,073	25,359	-	-	125,432
Total liabilities	88,794	47,130	138,874	274,798	2,485,637	134,120	3,309	2,897,864
Commitments	4,038	-	7,000	11,038	85,000	-	-	96,038
Net liquidity gap	463,475	306,452	68,977	838,904	(620,726)	824,353	44,126	1,086,657
Cumulative net liquidity gap	463,475	769,927	838,904	838,904	218,178	1,042,531	1,086,657	1,086,657

32 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 1.5 billion as at 31 December 2022 (31 December 2021: AED 1.2million).

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.

33 SOCIAL CONTRIBUTIONS

The Company pursues a Corporate Social Responsibility strategy and during the year spend on various social contributions purposes.

34 Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

35 Comparative information

Certain comparative amounts in the consolidated statement of profit or loss and notes to the consolidated financial statement have been adjusted to conform to the current presentation.

36 Profit rate benchmark reforms

Interbank offered rates ("IBORs"), such as the London Inter-bank Offered Rate("LIBOR"), plays a critical role in global financial markets, serving as reference rates for derivatives, financing and securities, and as parameters in the valuation of financial instruments.
LIBOR refers to the London Interbank Offered Rate. It is privately determined by polling more than a dozen large global banks in London about the interest rate at which they can borrow for various lengths of time ("tenors") in U.S. dollars and four other currencies (GBP,EUR,GPY,CHF). Thus, at any point in time, there are several "LIBOR" rates. LIBOR is a benchmark or reference rate that helps financial market participants' gauge prevailing financing rates.

36 Profit rate benchmark reforms (continued)

The Company has established a project to manage its transition to alternative rates in coordination with external consultants. The objectives of the project include evaluating the extent to which Islamic financing and related commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The project is being led by senior representatives and is closely working with functions across the Company including the customer facing teams, Legal, Finance and Operations. The Company's transition program has commenced and will be running until the final publication date of LIBOR on 30 June 2023.