

**Amlak Finance PJSC
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2017 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Amlak Finance PJSC and its subsidiaries (the 'Group') as of 31 March 2017, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Thodla Hari Gopal
Partner
Registration No.:689

9 May 2017

Dubai, United Arab Emirates

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2017 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2017 AED'000</i>	<i>2016 AED'000</i>
Income from Islamic financing and investing assets		45,714	56,722
Fee income		1,543	2,313
Income on deposits		1,639	1,441
Rental income	7	14,928	13,360
Sale of real estate	8	22,578	280,124
Other income		8,129	2,882
		94,531	356,842
Reversal of impairment / (impairment) on:			
- Islamic financing and investing assets		6,157	(6,609)
- Other assets		222	1,152
Amortisation of initial fair value gain on investment deposits	9	(27,415)	(26,473)
Operating expenses		(29,534)	(45,239)
Cost of sale of real estate	8	(10,310)	(130,732)
Share of results of an associate		4,412	6,365
PROFIT BEFORE DISTRIBUTIONS TO FINANCIERS / INVESTORS		38,063	155,306
Distributions to financiers / investors		(30,607)	(32,334)
PROFIT FOR THE PERIOD		7,456	122,972
Attributable to:			
Equity holders of the parent		5,562	122,060
Non-controlling interests		1,894	912
		7,456	122,972
Profit per share attributable to equity holders of the parent			
Basic profit per share (AED)	3	0.004	0.083
Diluted profit per share (AED)	3	0.002	0.039

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2017 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED'000</i>	<i>AED'000</i>
Profit for the period	7,456	122,972
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	7,365	(38,896)
Other comprehensive income for the period	7,365	(38,896)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,821	84,076
Attributable to:		
Equity holders of the parent	12,927	83,164
Non-controlling interests	1,894	912
	14,821	84,076

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

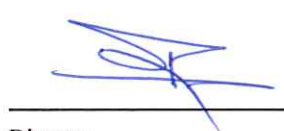
At 31 March 2017 (Unaudited)

	Notes	31 March 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)
ASSETS			
Cash and balances with banks	4	629,460	620,502
Islamic financing and investing assets		3,265,658	3,219,711
Available-for-sale investments	5	7,707	7,688
Advances for investment properties	6	322,818	322,818
Investment properties	7	1,653,703	1,623,096
Properties under development	8	220,237	220,679
Investment in an associate		297,952	293,540
Other assets		122,895	162,350
Furniture, fixtures and office equipment		21,065	22,284
TOTAL ASSETS		6,541,495	6,492,668
LIABILITIES AND EQUITY			
Liabilities			
Investment deposits and other Islamic financing	9	4,709,439	4,682,024
Term Islamic financing		60,180	57,704
Employees' end of service benefits		6,433	6,157
Other liabilities		138,930	135,091
Total liabilities		4,914,982	4,880,976
Equity			
Equity attributable to equity holders of the parent			
Share capital		1,500,000	1,500,000
Employee stock option plan shares		(93,048)	(93,048)
Statutory reserve		117,690	117,690
General reserve		117,690	117,690
Special reserve		99,265	99,265
Mudaraba Instrument		231,128	231,128
Mudaraba Instrument reserve		868,947	868,947
Cumulative changes in fair value		1,663	1,663
Foreign currency translation reserve		(327,326)	(334,691)
Accumulated losses		(1,010,526)	(1,016,088)
Non-controlling interests		1,505,483	1,492,556
		121,030	119,136
Total equity		1,626,513	1,611,692
TOTAL LIABILITIES AND EQUITY		6,541,495	6,492,668

Approved by the Board of Directors on 9 May 2017 and signed on its behalf by:



Chairman



Director



Managing Director &
Chief Executive Officer

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2017 (Unaudited)

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES		
Profit for the period	7,456	122,972
Adjustments for:		
Depreciation	1,247	1,347
Share of results of an associate	(4,412)	(6,365)
Reversal of impairment of other assets	(222)	(1,152)
(Reversal) / impairment on Islamic financing and investing assets	(6,157)	6,609
Amortisation of fair value adjustment on investment deposits	27,415	26,473
Distributions to financiers / investors	30,607	32,334
Income on deposits	(1,639)	(1,441)
Gain realised on sale of available for sale investments	-	(2,100)
Provision for employees' end of service benefits	328	292
	54,623	178,969
Working capital changes:		
Islamic financing and investing assets	40,670	134,386
Other assets	39,677	(106,597)
Other liabilities	3,839	(81,081)
Cash from operations	138,809	125,677
Employees' end of service benefits paid	(52)	(58)
Net cash generated from operating activities	138,757	125,619
INVESTING ACTIVITIES		
Placement of Wakala deposits	(500,000)	-
Proceeds from Wakala deposits	400,000	-
Proceeds from sale of available for sale investments	-	17,400
Purchase of available for sale investments	-	(515)
Decrease in investment properties	4,800	-
Increase in investment properties	(9,447)	-
Decrease in properties under development	442	117,124
Movement in restricted cash	43,357	(48,322)
Purchase of furniture, fixtures and office equipment	(28)	(3,215)
Income on deposits	1,639	1,441
Net cash (used in) / generated from investing activities	(59,237)	83,913
FINANCING ACTIVITIES		
Receipt of term Islamic financing	938	2,651
Payment to non-controlling interest	-	(25,042)
Investment deposits and other Islamic financing	(29,916)	(168,424)
Net cash used in financing activities	(28,978)	(190,815)
INCREASE IN CASH AND CASH EQUIVALENTS	50,542	18,717
Foreign currency translation reserve	1,773	(6,924)
Cash and cash equivalents at the beginning of the period	338,201	503,112
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	390,516	514,905

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2017 (Unaudited)

Attributable to the equity holders of the parent

	<i>Attributable to the equity holders of the parent</i>												
	<i>Share capital</i>	<i>Employee stock option plan shares</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Special reserve</i>	<i>Mudaraba Instrument</i>	<i>Mudaraba Instrument reserve</i>	<i>Cumulative changes in fair value</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
At 1 January 2017	1,500,000	(93,048)	117,690	117,690	99,265	231,128	868,947	1,663	(334,691)	(1,016,088)	1,492,556	119,136	1,611,692
Profit for the period	-	-	-	-	-	-	-	-	-	5,562	5,562	1,894	7,456
Other comprehensive income for the period	-	-	-	-	-	-	-	-	7,365	-	7,365	-	7,365
Total comprehensive income for the period	-	-	-	-	-	-	-	-	7,365	5,562	12,927	1,894	14,821
At 31 March 2017	1500,000	(93,048)	117,690	117,690	99,265	231,128	868,947	1,663	(327,326)	(1,010,526)	1,505,483	121,030	1,626,513

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the period ended 31 March 2017 (Unaudited)

Attributable to the equity holders of the parent

	<i>Employee</i>					<i>Mudaraba</i>		<i>Cumulative</i>		<i>Foreign</i>			
	<i>Share capital</i>	<i>stock option plan shares</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Special reserve</i>	<i>Mudaraba Instrument</i>	<i>Instrument reserve</i>	<i>changes in fair value</i>	<i>translation reserve</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
At 1 January 2016	1,500,000	(93,048)	117,690	117,690	99,265	231,128	868,947	4,163	(137,725)	(1,121,371)	1,586,739	144,571	1,731,310
Profit for the period	-	-	-	-	-	-	-	-	-	122,060	122,060	912	122,972
Other comprehensive income for the period	-	-	-	-	-	-	-	-	(38,896)	-	(38,896)	-	(38,896)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(38,896)	122,060	83,164	912	84,076
Other comprehensive income reclassified to profit or loss	-	-	-	-	-	-	-	(2,100)	-	-	(2,100)	-	(2,100)
Funds paid to project owner *	-	-	-	-	-	-	-	-	-	-	-	(25,042)	(25,042)
At 31 March 2016	1,500,000	(93,048)	117,690	117,690	99,265	231,128	868,947	2,063	(176,621)	(999,311)	1,667,803	120,441	1,788,244

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

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

1 ACTIVITIES

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

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

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

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Amlak Finance PJSC and its subsidiaries (the “Group”) are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016. The adoption of the new and amended IFRS and IFRIC interpretations which became effective as of 1 January 2017 did not have an impact on the financial position or performance of the Group during the current period.

The interim condensed consolidated financial statements do not include all the information or disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2016. In addition, results for the period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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

2.2 NEW STANDARDS, INTERPRETATION AND AMENDMENTS

IASB Standards and Interpretations issued but not yet effective

In the current period, the Group has not adopted the new accounting standards or interpretations that have been issued but are not yet effective except for IFRS 15 Revenue from contracts with customers which was early adopted in the year ended 31 December 2015. These standards and interpretations are not likely to have any significant impact on the financial statements of the Group in the period of their initial application.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

3 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
Profit for the period attributable to equity holders of the parent (AED'000)	5,562	122,060
Weighted average number of shares for basic EPS (in thousands)	1,475,000	1,475,000
Effect of dilution: Mudaraba Instrument	1,647,225	1,647,225
Weighted average number of ordinary shares adjusted for the effect of dilution	3,122,225	3,122,225
Attributable to equity holders of the parent: Basic profit per share (AED)	0.004	0.083
Diluted profit per share (AED)	0.002	0.039

The basic and diluted weighted average numbers of shares were reduced by the purchase of own shares for the proposed employee stock option plan during the year 2008.

4 CASH AND BALANCES WITH BANKS

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Cash on hand	59	59
Balances with banks	398,870	341,470
Deposits with banks	230,531	278,973
Cash and balances with banks	629,460	620,502
Less: Deposits maturing after 1 year		
Regulatory deposit with no maturity (note 4.1)	(35,000)	(35,000)
Restricted cash (note 4.2)	(203,944)	(247,301)
Cash and cash equivalents	390,516	338,201

4.1 Deposits maturing after one year represent AED 35 million (31 December 2016: AED 35 million) deposited with a local bank under lien to the Central Bank of UAE in accordance with Central Bank regulations for licensing.

4.2 At period end, the Group reported AED 204 million (31 December 2016: AED 247 million) of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture (note 8).

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

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

5 AVAILABLE FOR SALE INVESTMENTS

	<i>UAE</i>		<i>International</i>		<i>Total</i>	
	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2017</i>	<i>31 December 2016</i>	<i>31 March 2017</i>	<i>31 December 2016</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Equities and Funds	-	-	7,707	7,688	7,707	7,688

31 March 2017 (Unaudited)

	<i>Total</i>	<i>Investments carried at fair value</i>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Equities	7,707	-	-	7,707
	7,707	-	-	7,707

31 December 2016 (Audited)

	<i>Total</i>	<i>Investments carried at fair value</i>		
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Equities	7,688	-	-	7,688
	7,688	-	-	7,688

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

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

	<i>31 March 2017</i>	<i>31 December 2016</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance at 1 January	7,688	8,129
Net change in fair values	-	(400)
Addition during the period / year	-	570
Exchange difference	19	(611)
	7,707	7,688

The level 3 fair value above is determined based on the net asset value of the underlying entity and consequently no sensitivity analysis to variation in assumptions is provided.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

6 ADVANCES FOR INVESTMENT PROPERTIES

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
At 1 January	322,818	322,818
Fair value gain on advances for investment properties	-	-
	322,818	322,818

This represents the advances paid by the Group towards the acquisition of units in two under-development real estate projects in Dubai. Both projects are delayed by a number of years and the date of completion is uncertain. The Group has commenced arbitration to facilitate recovery of advances with a carrying value of AED 323 million (31 December 2016: 323 million), the outcome of which management believes will have no negative impact on the carrying value of advances for investment properties at year end. The Group has not yet obtained title to the properties and is committed to pay an additional AED 23 million (31 December 2016: AED 23 million) in accordance with the agreement with the seller of one of the real estate projects.

These advances are carried at fair value. The fair values of the advances for investment properties are based on valuations performed at year end by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has relevant experience in the locations and segments of the properties valued. The valuation model used is in accordance with that recommended by the Royal Institute of Chartered Surveyors.

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

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

Advances for investment properties include AED 30 million under Istisna with a financial institution carried at cost as there is significant uncertainty over whether the project will be completed by the developer. The associated liability of AED 39 million (31 December 2016: AED 39 million) is also recorded in the financial statements. Under the terms of the Istisna, the Group has no obligation to repay the Istisna finance of the asset until construction is completed.

7 INVESTMENT PROPERTIES

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
At 1 January	1,623,096	1,701,920
Addition during the period / year	28,987	73,299
Disposal during the period / year	(4,800)	(7,571)
Fair value gain on investment properties	-	18,070
Foreign exchange fluctuation	6,420	(162,622)
	1,653,703	1,623,096

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

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

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

7 INVESTMENT PROPERTIES (continued)

Investment properties as at 31 March 2017 include a plot of land and one residential unit in Egypt owned by the Group's subsidiaries amounting to AED 154 million (31 December 2016: AED 148 million). All other investment properties are located within the UAE. The carrying values also include foreign exchange gain for the period amounting to AED 6 million (31 December 2016: full year loss of AED 163 million) on currency translation of investment properties in Egypt which is included in equity.

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

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

As at 31 March 2017, investment properties having fair value of AED 881 million (31 December 2016: AED 872 million) are mortgaged / assigned in favour of the security agent as part of the restructuring.

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 March 2016 AED'000 (Unaudited)</i>
Rental income derived from investment properties	14,928	13,360
Direct operating expenses (including repairs and maintenance) generating rental income	(3,846)	(5,057)
Profit arising from investment properties	11,082	8,303

8 PROPERTIES UNDER DEVELOPMENT

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
At 1 January	220,679	386,418
Cost of sale of real estate	(10,310)	(196,117)
Additions for construction costs incurred	9,868	30,378
	220,237	220,679

On 1 October 2014, the Group entered into a joint venture agreement with another party to develop a jointly owned plot of land in Nad Al Hammar. Amlak Finance PJSC acquired a 50% interest in Al Warqa Gardens LLC, a jointly controlled entity to develop a jointly owned plot of land in Nad Al Hammar. The Group has a 50% share in the assets, liabilities, revenue and expenses of the joint venture and accordingly under IFRS 11 it is deemed to be a jointly controlled operation. As the land is under development with a view to disposal in the market, it has been treated as property under development with an initial cost equal to its fair value at the time of transfer from investment property portfolio of AED 330 million. Subsequent expenditure to develop the land for resale is included in the cost of property. The cash held by the joint venture is restricted, given that it is contractually committed to the development of the land under the joint venture agreement. The group's share of this restricted cash balance at 31 March 2017 is AED 204 million (31 December 2016: AED 247 million).

The joint venture has entered into agreements to sell a number of sub-divided plots of the Nad Al Hammar land. Applying the requirements of IFRS 15, the joint venture has identified two performance obligations within these agreements being to transfer control of land and to provide infrastructure to the plots.

The revenue assigned to the sale of land is recorded at the time of transfer of the control of the land and the revenue relating to the building of infrastructure is recorded over the period of construction of the infrastructure on the basis that the joint venture has an enforceable right to payment for performance completed to date. The contracted revenue has been allocated between the two obligations on the basis of their respective fair values.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

8 PROPERTIES UNDER DEVELOPMENT (continued)

As at 31 March 2017, properties under development are assigned as security in favour of the security agent as part of the restructuring.

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

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Properties under development	220,237	220,679
Cash and balances with banks	203,944	247,301
Other assets - receivables	67,738	110,870
Deferred income and other liabilities	(2,886)	(2,713)
Net Assets	489,033	576,137
	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 March 2016 AED'000 (Unaudited)</i>
Revenue	22,578	280,124
Cost of sale of real estate	(10,310)	(130,732)
Operating expenses	(928)	(15,171)
Income on deposits	1,556	437
Profit for the period	12,896	134,658

Revenue for the period comprises AED 4 million (31 March 2016: AED 244 million) following satisfaction of transfer of control of land performance obligations and AED 19 million (31 March 2016: AED 36 million) against ongoing satisfaction of infrastructure development performance obligations. Receivable amounts due under the respective sale agreements on which land transfer revenue has been recognised are due for settlement to the joint venture within 12 months of the reporting date.

9 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
	<i>Profit rate</i>	
Murabaha	2%	229,296
Wakala	4%	199,695
Others	4%	457,722
Purchase price payable	2%	4,439,015
		5,325,728
Amortised fair value adjustment (note 9.1)		(616,289)
		4,709,439

Investment deposits and other Islamic financing are secured against assignment and mortgage over the Group's investment properties located in UAE (notes 6 and 7), assignment of insurance, pledge over bank accounts (note 4), assignment of rights to receive payments in connection with the Islamic financing and investing assets portfolio and corporate guarantees of the Group's subsidiaries. Securities offered would be held by a security agent on behalf of financiers.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

9 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING (continued)

9.1 Amortised fair value adjustment

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Opening balance	643,704	754,134
Amortisation charged for the period / year	(27,415)	(110,430)
	616,289	643,704

The nature of the Company's deposits was significantly changed due to the restructuring undertaken in 2014, resulting in a fixed obligation to be paid to the Commercial Financiers and Liquidity Support Providers. The face value of the restructured fixed obligations at period end is AED 5,326 million (31 December 2016: 5,326 million). In accordance with IFRS, due to the substantial changes in the terms of the investment deposits through the restructuring, a fair valuation assessment of the restructured obligations was performed based on the net present value of the contracted cash flows. As at 25 November 2014, the restructured obligations were initially recognised at fair value in the statement of financial position giving rise to AED 911 million of fair value gain which was recorded in the consolidated statement of income.

The fair value adjustment was calculated using a discount rate of 5% based on management's market yield expectation adjusted for risks specific to the Group.

The obligations are subsequently to be measured at amortised cost using the effective finance rate method. Consequently, the gain on initial recognition recorded will fully reverse out over the repayment period of 12 years, with a resulting charge to the consolidated statement of income each year. The cumulative value of fair value gain amortised as at 31 March 2017 was AED 295 million (31 December 2016: AED 267 million) giving a residual fair value gain of AED 616 million as at 31 March 2017 (31 December 2016: AED 644 million) to be amortised over the remaining repayment period.

Under the terms of the Common Terms Agreement of 2014 restructuring, the Group is required to distribute any cash surplus with the definition of surplus being defined in the terms of the agreement, based on an assessment of the cash position of the Group every 6 months. The first such assessment was performed in December 2014 and gave rise to a repayment of obligation to financiers of AED 944 million representing an advance payment of 22 future monthly scheduled installments.

Under the cash sweep mechanism the second assessment was performed based on the cash position as at 30 June 2015 and consequently an advance payment of AED 558 million representing 13 future scheduled monthly installments till October 2017 was paid on 16 July 2015.

The third assessment was performed based on the cash position as at 31 December 2015 and consequently an advance payment of AED 137 million representing 2 future scheduled monthly installments till December 2017 was paid on 25 January 2016. The fourth assessment was performed based on the cash position as at 30 June 2016 and consequently an advance payment of AED 137 million representing 2 future scheduled monthly installments till February 2018 was paid on 25 July 2016.

In December 2016, Amlak agreed with its financiers to waive a number of restrictive covenants, which included adjustments to certain restrictions to allow for the company's mortgage book to be maintained at higher anticipated levels, funds to be raised under certain pre-agreed parameters, and restrictions on business origination to be removed. The new terms do not affect the repayment period or amounts or profit payments to financiers.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

10 SEGMENTAL INFORMATION

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

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

Operating segments:

The Group's revenues and expenses for each segment the three months period ended 31 March are as follows:

31 March 2017 (unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Investment & Others AED'000</i>	<i>Total AED'000</i>
Operating income	58,183	31,905	4,443	94,531
Distribution to financiers/investors	(13,929)	(14,087)	(2,591)	(30,607)
Reversal / (allowances) for impairment	7,878	383	(1,882)	6,379
Amortisation of initial fair value gain	(12,918)	(12,106)	(2,391)	(27,415)
Cost of sale of real estate	-	(10,310)	-	(10,310)
Expenses (including allocated expenses)	(18,688)	(8,965)	(1,881)	(29,534)
Share of results of an associate	-	-	4,412	4,412
Segment results	<u>20,526</u>	<u>(13,180)</u>	<u>110</u>	<u>7,456</u>
Non-controlling interests				<u>(1,894)</u>
				<u>5,562</u>

31 March 2016 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Investment & Others AED'000</i>	<i>Total AED'000</i>
Operating income	63,881	288,005	4,956	356,842
Distribution to financiers/investors	(16,045)	(12,401)	(3,888)	(32,334)
Reversal / (allowances) for impairment	(3,381)	(2,151)	75	(5,457)
Amortisation of initial fair value gain	(13,519)	(10,447)	(2,507)	(26,473)
Cost of sale of real estate	-	(130,732)	-	(130,732)
Expenses (including allocated expenses)	(19,478)	(22,788)	(2,973)	(45,239)
Share of results of an associate	-	-	6,365	6,365
Segment results	<u>11,458</u>	<u>109,486</u>	<u>2,028</u>	<u>122,972</u>
Non-controlling interests				<u>(912)</u>
				<u>122,060</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

10 SEGMENTAL INFORMATION (continued)

Segment assets and liabilities:

The following table presents segment assets and liabilities of the Group as at 31 March 2017 and 31 December 2016:

31 March 2017 (Unaudited):

	<i>Real estate finance AED'000</i>	<i>Real estate investment AED'000</i>	<i>Corporate investment & others AED'000</i>	<i>Total AED'000</i>
Segment assets	4,200,171	1,927,333	413,991	6,541,495
Segment liabilities	1,795,141	2,689,804	430,037	4,914,982

31 December 2016 (Audited):

	<i>Real estate finance AED'000</i>	<i>Real estate investment AED'000</i>	<i>Corporate investment & others AED'000</i>	<i>Total AED'000</i>
Segment assets	4,098,044	1,989,222	405,402	6,492,668
Segment liabilities	1,719,261	2,739,954	421,761	4,880,976

During the year ended 31 December 2016 segment liabilities were reclassified from Real Estate Finance to Real Estate Investment with corresponding reclassification of distribution to depositors and other expenses between the segments.

11 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management.

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

31 March 2017 (Unaudited):

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Cash and bank balances	-	-	-	52,731	52,731
Islamic financing and investing assets	-	-	17,903	12,716	30,619
Available for sale investments	-	-	-	7,249	7,249
Investment deposits	-	130,221	-	1,042,085	1,172,306
Other assets	-	-	-	703	703
Other liabilities	-	51	-	860	911

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

11 RELATED PARTY TRANSACTIONS (continued)

31 December 2016 (Audited):

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Cash and balances with banks	-	-	-	14,957	14,957
Islamic financing and investing assets	-	-	17,869	13,301	31,170
Available for sale investments	-	-	-	7,249	7,249
Investment deposits	-	130,221	-	1,042,085	1,172,306
Other assets	71	-	-	703	774
Other liabilities	-	51	-	860	911

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

31 March 2017 (Unaudited)

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Income from Islamic financing and investing assets	-	-	159	181	340
Distributions to financiers / investors	-	651	-	5,210	5,861

31 March 2016 (Unaudited):

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Income from Islamic financing and investing assets	-	-	138	192	330
Distributions to financiers / investors	-	674	-	5,396	6,070

Compensation of key management personnel

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

	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 March 2016 AED'000 (Unaudited)</i>
Salaries and other benefits	<u>4,416</u>	<u>5,184</u>
	<u>4,416</u>	<u>5,184</u>

12 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>Notes</i>	<i>31 March 2017 AED'000 (Unaudited)</i>	<i>31 December 2016 AED'000 (Audited)</i>
Irrevocable commitments to advance financing	12.1	242,039	246,722
Commitments for advances for investment properties	12.2	23,251	23,251
Commitments for investment properties	12.3	58,119	67,923
Commitments against capital expenditure	12.4	2,739	5,350
Commitments against properties under development	12.5	4,388	14,255
		330,536	357,501

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

12.2 This represents commitments to property developers or sellers in respect of property purchases.

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

12.4 This represents commitment towards implementation of IT projects.

12.5 Estimated capital expenditure pertaining to properties under development contracted but not provided for.

Contingencies

a) The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and, based on legal counsel advice received, believes it is less than probable that such actions taken by counter parties would succeed, except for cases against which a provision of AED 3.2 million (31 December 2016: AED 4 million) has been made.

b) As at 31 March 2017 the Group had a contingent liability for proposed Directors' remuneration of AED 2.25 million (31 December 2016: AED 3.50 million). Directors' remuneration, which is governed by UAE Federal Law No (2) of 2015, was approved at Annual General Meeting on 10 April 2017.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

13 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 period end. The table also excludes the potential impact of any cash distribution requirements triggered by the cash sweep mechanism under the terms of the Common Terms Agreement.

At 31 March 2017 (Unaudited)

	Up to 1 year			Total up to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Items with no maturity AED'000	Total AED'000
	Less than 3 months AED'000	3 months to 6 months AED'000	6 months to 1 year AED'000					
Assets								
Cash and balances with banks	390,516	-	-	390,516	203,944	-	35,000	629,460
Islamic financing and investing assets	454,056	154,058	132,010	740,124	925,166	1,600,368	-	3,265,658
Available-for-sale investments	-	-	-	-	-	-	7,707	7,707
Advance for Investment Properties	-	-	-	-	30,036	292,782	-	322,818
Investment Properties	-	-	-	-	153,688	1,500,015	-	1,653,703
Properties under Development	-	-	-	-	220,237	-	-	220,237
Investments in an associate	-	-	-	-	-	-	297,952	297,952
Other assets	18,334	71	24,385	42,790	80,105	-	-	122,895
Furniture, fixture and office equipment	-	-	-	-	-	-	21,065	21,065
Total assets	862,906	154,129	156,395	1,173,430	1,613,176	3,393,165	361,724	6,541,495
Liabilities								
Investment deposits and other Islamic financing	-	-	-	-	2,276,414	2,433,025	-	4,709,439
Term Islamic financing	856	856	1,712	3,424	17,120	39,636	-	60,180
Employees' end of service benefits	-	-	-	-	-	-	6,433	6,433
Other liabilities	120,597	3,330	12,117	136,044	2,886	-	-	138,930
Total liabilities	121,453	4,186	13,829	139,468	2,296,420	2,472,661	6,433	4,914,982
Commitments	272,718	12,208	10,927	295,853	34,683	-	-	330,536
Net liquidity gap	468,735	137,735	131,639	738,109	(717,927)	920,504	355,291	1,295,977
Cumulative net liquidity gap	468,735	606,470	738,109	738,109	20,182	940,686	1,295,977	1,295,977

Amlak Finance PJSC and its Subsidiaries

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As at 31 March 2017 (Unaudited)

13 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

At 31 December 2016

	Up to 1 year			Total up to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Items with no maturity AED'000	Total AED'000
	Less than 3 months AED'000	3 months to 6 months AED'000	6 months to 1 year AED'000					
Assets								
Cash and balances with banks	338,202	-	-	338,202	247,300	-	35,000	620,502
Islamic financing and investing assets	607,323	67,480	96,687	771,490	886,596	1,561,625	-	3,219,711
Available-for-sale investments	-	-	-	-	-	-	7,688	7,688
Advance for Investment Properties	-	-	-	-	30,036	292,782	-	322,818
Investment Properties	-	-	-	-	147,677	1,475,419	-	1,623,096
Properties under Development	-	-	-	-	220,679	-	-	220,679
Investment in an associate	-	-	-	-	-	-	293,540	293,540
Other assets	17,294	113	24,694	42,101	120,249	-	-	162,350
Furniture, fixture and office equipment	-	-	-	-	-	-	22,284	22,284
Total assets	962,819	67,593	121,381	1,151,793	1,652,537	3,329,826	358,512	6,492,668
Liabilities								
Investment deposits and other Islamic financing	-	-	-	-	2,248,999	2,433,025	-	4,682,024
Term Islamic financing	712	712	1,425	2,849	14,247	40,608	-	57,704
Employees' end of service benefits	-	-	-	-	-	-	6,157	6,157
Other liabilities	117,531	4,456	10,391	132,378	2,713	-	-	135,091
Total liabilities	118,243	5,168	11,816	135,227	2,265,959	2,473,633	6,157	4,880,976
Commitments	253,595	37,808	25,334	316,737	40,764	-	-	357,501
Net liquidity gap	590,981	24,617	84,231	699,829	(654,186)	856,193	352,355	1,254,191
Cumulative net liquidity gap	590,981	615,598	699,829	699,829	45,643	901,836	1,254,191	1,254,191