

**Amlak Finance PJSC
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2018 (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 financial statements of Amlak Finance PJSC and its subsidiaries (the 'Group') as of 30 September 2018, comprising interim consolidated statement of financial position as of 30 September 2018, and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods, and statements of changes in equity and cash flows for the nine-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



Signed by:
Thodla Hari Gopal
Partner
Registration No.: 689

31 October 2018

Dubai, United Arab Emirates

Amlak Finance PJSC and its Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2018 (Unaudited)

	Notes	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2018 AED'000</i>	<i>2017 AED'000</i>	<i>2018 AED'000</i>	<i>2017 AED'000</i>
Income from Islamic financing and investing assets		44,090	45,623	126,385	137,978
Fee income		1,932	1,095	5,122	4,522
Income on deposits		1,736	1,612	5,950	4,848
Rental income	7	16,365	14,931	48,452	45,090
Fair value (loss) / gain on investment properties	7	(39,784)	12,873	(24,740)	23,904
Sale of properties under development	8	5,645	2,804	60,747	35,747
Other income		2,502	7,173	13,626	17,904
		32,486	86,111	235,542	269,993
(Impairment)/reversal of impairment / on:					
- Islamic financing and investing assets		(18,981)	7,073	(42,150)	14,212
- Other assets		1,941	39	(218)	355
Amortisation of initial fair value gain on investment deposits	9	(25,149)	(27,421)	(84,343)	(81,923)
Operating expenses		(25,821)	(26,971)	(86,539)	(83,822)
Cost of sale of properties under development	8	(1,454)	(647)	(5,304)	(14,533)
Share of results of an associate		2,553	7,504	14,950	18,564
(LOSS) / PROFIT BEFORE DISTRIBUTION TO FINANCIERS / INVESTORS		(34,425)	45,688	31,938	122,846
Distribution to financiers / investors		(28,109)	(31,498)	(83,303)	(93,138)
(LOSS) / PROFIT FOR THE PERIOD		(62,534)	14,190	(51,365)	29,708
Attributable to:					
Equity holders of the parent		(64,020)	11,815	(53,633)	22,014
Non-controlling interests		1,486	2,375	2,268	7,694
		(62,534)	14,190	(51,365)	29,708
(Loss) / profit per share attributable to:					
Equity holders of the parent:					
Basic (loss) / profit per share (AED)	3	(0.043)	0.0080	(0.035)	0.0134
Diluted (loss) / profit per share (AED)	3	(0.043)	0.0038	(0.035)	0.0063

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 30 September 2018 (Unaudited)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 AED'000</i>	<i>2017 AED'000</i>	<i>2018 AED'000</i>	<i>2017 AED'000</i>
(Loss) / profit for the period	(62,534)	14,190	(51,365)	29,708
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	(312)	4,845	(517)	12,910
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Change in fair value of investment securities	187	(467)	(405)	(467)
Change in fair value of investments securities of an associate	(204)	-	(204)	-
Other comprehensive (loss) / income for the period	(329)	4,378	(1,126)	12,443
Total comprehensive (loss) / income for the period	(62,863)	18,568	(52,491)	42,151
Attributable to:				
Equity holders of the parent	(64,349)	16,193	(54,759)	34,457
Non-controlling interests	1,486	2,375	2,268	7,694
	(62,863)	18,568	(52,491)	42,151

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

As at 30 September 2018 (Unaudited)

	<i>Notes</i>	30 September 2018 AED'000 (Unaudited)	31 December 2017 AED'000 (Audited)
ASSETS			
Cash and balances with banks	4	328,051	673,015
Islamic financing and investing assets		2,704,701	3,084,983
Investment securities	5	11,981	12,387
Advances for investment properties	6	322,818	322,818
Investment properties	7	1,956,392	1,821,064
Properties under development	8	209,600	212,849
Investment in an associate		291,265	302,567
Other assets		86,379	132,489
Furniture, fixtures and office equipment		17,686	17,072
TOTAL ASSETS		5,928,873	6,579,244
LIABILITIES AND EQUITY			
Liabilities			
Investment deposits and other Islamic financing	9	4,192,286	4,792,037
Term Islamic financing		110,911	66,136
Employees' end of service benefits		4,946	6,551
Other liabilities		125,391	143,612
Total liabilities		4,433,534	5,008,336
Equity			
Share capital		1,500,000	1,500,000
Treasury shares		(93,048)	(93,048)
Statutory reserve		122,650	122,650
General reserve		122,650	122,650
Special reserve		99,265	99,265
Mudaraba Instrument		215,472	215,472
Mudaraba Instrument reserve		810,088	810,088
General impairment reserve		4,316	-
Cumulative changes in fair value		89	698
Foreign currency translation reserve		(324,112)	(323,595)
Accumulated losses		(1,076,801)	(1,011,193)
Equity attributable to equity holders of the parent		1,380,569	1,442,987
Non-controlling interests		114,770	127,921
Total equity		1,495,339	1,570,908
TOTAL LIABILITIES AND EQUITY		5,928,873	6,579,244

Approved by the Board of Directors on 31 October 2018 and signed on its behalf by:


Chairman


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 30 September 2018 (Unaudited)

	<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES		
(Loss) / profit for the period	(51,365)	29,708
Adjustments for:		
Depreciation	4,449	4,204
Share of results of an associate	(14,950)	(18,564)
Impairment / (reversal of impairment) on financing and investing assets	42,150	(14,212)
Impairment / (reversal of impairment) on other assets	218	(355)
Fair value loss / (gain) on investment properties	24,740	(23,904)
Amortisation of initial fair value gain on investment deposits	84,343	81,923
Distribution to financiers / investors	83,303	93,137
Income on deposits	(5,950)	(4,848)
(Gain) / loss realised on sale of investment properties	(1,887)	88
Gain realised on sale of investment securities	-	(5,636)
Provision for employees' end of service benefit	544	851
Operating profit before changes in operating assets and liabilities:	<u>165,595</u>	<u>142,392</u>
Islamic financing and investing assets	(214,551)	154,248
Other assets	42,341	97,004
Other liabilities	(18,220)	(12,275)
Cash (used in) / generated from operations	<u>(24,835)</u>	<u>381,369</u>
Employees' end of service benefit paid	(2,149)	(542)
Net cash (used in) / generated from operating activities	<u>(26,984)</u>	<u>380,827</u>
INVESTING ACTIVITIES		
Dividend from an associate	16,541	16,541
Sale of investment properties	5,367	10,974
Decrease / (increase) in properties under development	3,249	(145)
Increase in investment properties	(55,718)	(36,407)
Movement in restricted cash	57,685	(26,675)
Proceeds from wakala deposits	1,700,000	1,400,000
Placement of wakala deposits	(1,250,000)	(1,700,000)
Purchase of furniture, fixtures and office equipment	(3,034)	(372)
Income on deposits	5,950	4,848
Net cash generated from / (used in) investing activities	<u>480,040</u>	<u>(331,236)</u>
FINANCING ACTIVITIES		
Receipt of term Islamic financing	53,060	8,700
Repayment of term Islamic financing	(8,172)	-
Payment to non-controlling interests	(15,419)	-
Investment deposits and other Islamic financing	(767,397)	(96,389)
Directors' fees paid	(2,250)	(2,250)
Net cash used in financing activities	<u>(740,178)</u>	<u>(89,939)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(287,122)</u>	<u>(40,348)</u>
Foreign currency translation reserve	(156)	3,226
Cash and cash equivalents at the beginning of the period	<u>432,562</u>	<u>338,201</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>145,284</u></u>	<u><u>301,079</u></u>

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 30 September 2018 (Unaudited)

Attributable to the equity holders of the parent

	<i>Share capital</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Special reserve</i>	<i>Mudaraba Instrument</i>	<i>Mudaraba Instrument reserve</i>	<i>General impairment reserve</i>	<i>Cumulative changes in fair value</i>	<i>Foreign currency translation reserve</i>	<i>Accumulated losses</i>	<i>Total</i>	<i>Non controlling interests</i>	<i>Total equity</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
At 1 January 2018	1,500,000	(93,048)	122,650	122,650	99,265	215,472	810,088	-	698	(323,595)	(1,011,193)	1,442,987	127,921	1,570,908
Impact of adopting IFRS 9 (note 2.2)														
- on the Group	-	-	-	-	-	-	-	4,316	-	-	-	4,316	-	4,316
- on an associate	-	-	-	-	-	-	-	-	-	-	(9,725)	(9,725)	-	(9,725)
Restated balance at 1 January 2018	1,500,000	(93,048)	122,650	122,650	99,265	215,472	810,088	4,316	698	(323,595)	(1,020,918)	1,437,578	127,921	1,565,499
Loss for the period	-	-	-	-	-	-	-	-	-	-	(53,633)	(53,633)	2,268	(51,365)
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(405)	(517)	-	(922)	-	(922)
Other comprehensive loss share of an associate	-	-	-	-	-	-	-	-	(204)	-	-	(204)	-	(204)
Total comprehensive loss for the period	-	-	-	-	-	-	-	-	(609)	(517)	(53,633)	(54,759)	2,268	(52,491)
Funds paid to project owner *	-	-	-	-	-	-	-	-	-	-	-	-	(15,419)	(15,419)
Director's fee paid (note 11)	-	-	-	-	-	-	-	-	-	-	(2,250)	(2,250)	-	(2,250)
At 30 September 2018	1,500,000	(93,048)	122,650	122,650	99,265	215,472	810,088	4,316	89	(324,112)	(1,076,801)	1,380,569	114,770	1,495,339

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

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 30 September 2017 (Unaudited)

Attributable to the equity holders of the parent

	<i>Share capital</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>General reserve</i>	<i>Special reserve</i>	<i>Mudaraba Instrument</i>	<i>Mudaraba Instrument reserve</i>	<i>Cumulative changes in fair value</i>	<i>Foreign currency 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	-	-	-	-	-	-	-	-	-	22,014	22,014	7,694	29,708
Other comprehensive income for the period	-	-	-	-	-	-	-	(467)	12,910	-	12,443	-	12,443
Total comprehensive income for the period	-	-	-	-	-	-	-	(467)	12,910	22,014	34,457	7,694	42,151
Directors' fee paid (note 11)	-	-	-	-	-	-	-	-	-	(2,250)	(2,250)	-	(2,250)
At 30 September 2017	1,500,000	(93,048)	117,690	117,690	99,265	231,128	868,947	1,196	(321,781)	(996,324)	1,524,763	126,830	1,651,593

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

1 ACTIVITIES

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

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

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

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of Amlak Finance PJSC and its subsidiaries (the “Group”) are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2017. The adoption of the new and amended IFRS and IFRIC interpretations which became effective as of 1 January 2018 did not have an impact on the financial position or performance of the Group during the current period, except as mentioned in note 2.2 and 2.3.

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 2017. In addition, results for the period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Issued and effective for accounting periods beginning on 1 January 2018

The Group has consistently applied the accounting policies as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except the following accounting policies which are applicable from 1 January 2018:

IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

(i) Classification of financial assets and financial liabilities

Financial assets

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 and Loss (FVTPL).

A financial asset 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.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

IFRS 9 - Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

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.

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. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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.

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

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

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

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:

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.

(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 ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

IFRS 9 - Financial Instruments (continued)

(ii) Impairment (continued)

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.

Write-off:

Assets carried at amortised cost and debt 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.

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore not comparable to the information presented for period under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation or previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

Further information and details on the changes and implications resulting from the adoption of IFRS 9 are disclosed in note 2.3.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

IFRS 9 - Financial Instruments (continued)

(iii) Transition (continued)

Classification of financial assets on the date of initial application of IFRS 9.

Except for the financial statement caption listed in the table below there have been no changes in the classification of assets and liabilities on application of IFRS 9 as at 1 January 2018.

	<i>Classification under IAS 39 (31 December 2017)</i>			<i>Classification under IFRS 9 (1 January 2018)</i>		
	<i>Financial assets and receivables</i>	<i>Available for sale</i>	<i>Balance</i>	<i>Amortised cost</i>	<i>FVOCI</i>	<i>Balance</i>
Cash and balances with banks	673,015	-	673,015	673,015	-	673,015
Islamic financing and investing assets	3,084,983	-	3,084,983	3,089,299	-	3,089,299
Investment securities	-	12,387	12,387	-	12,387	12,387
Other assets (excluding prepayment)	125,723	-	125,723	125,723	-	125,723

The following table reconciles the closing balance of financial assets under IAS 39 to the opening balance of financial assets under IFRS 9 on 1 January 2018.

	<i>31 December 2017 (IAS 39)</i>	<i>Re-measurement impairment</i>	<i>1 January 2018 (IFRS 9)</i>
Cash and balances with banks	673,015	-	673,015
Investment securities:			
Equity securities AFS / FVOCI	12,387	-	12,387
Amortised cost:			
Islamic financing and investing assets	3,084,983	4,316	3,089,299
Other assets excluding prepayments	125,723	-	125,723
Total	3,896,108	4,316	3,900,424

Following the adoption of IFRS 9 by an associate, AED 9,725 thousand, representing the Group share in an associate, was reported by the Group in accumulated losses during the nine-month period ended 30 September 2018 which is consistent with the Group accounting policies.

Financial instruments: disclosures (IFRS 7)

The Group will be amending the disclosures for 2018 to include more extensive qualitative and quantitative disclosure relating to IFRS 9 such as new classification categories, three stage impairment model and transition provisions.

Transfers of investment property – amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after 1 January 2018.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

Issued but not yet effective for accounting periods beginning on or after 1 January 2018

IFRS 16 – Leases

IFRS 16 Leases requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after 1 January 2019.

Changes in estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make judgement, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The Group has consistently applied the estimates and judgements as applied by the Group in the annual consolidated financial statements for the year ended 31 December 2017, except the following estimates and judgements which are applicable from 1 January 2018:

- Changes to judgements made in applying accounting policies that have most significant effects on the amounts recognized in the condensed consolidated interim financial statements for the period ended 30 September 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments which impact calculation of expected credit loss. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.
- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, 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 assessment of significant increases in credit risk will be 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) We have established thresholds for significant increases in credit risk relative to initial recognition.
- (2) Additional qualitative reviews is 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 under IFRS 9 is similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

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

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider 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 is require significant judgment.

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) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation has forecasts of the relevant macroeconomic variables.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology (continued)

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

The estimation of expected credit losses in Stage1 and Stage 2 is a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario is based on macroeconomic forecasts published by reliable third parties. Upside and downside scenarios is be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios is occur on at least an annual basis and more frequently if conditions warrant.

Scenarios is probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered is applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default:

The definition of default used in the measurement of expected credit losses 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.

Governance:

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

2.3 RISK MANAGEMENT

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2017.

Amounts arising from ECL

The following tables show reconciliations from the opening to the closing balance of the allowance for impairment on Islamic Financing and Investing Assets as a result of the adoption of IFRS 9: Financial instruments.

Islamic Financing and investing assets and undrawn irrevocable commitments

	<i>Unaudited 30 September 2018 AED’000 ECL</i>	<i>Unaudited 30 September 2017 AED’000</i>
Balance at 1 January (as per IAS 39)	637,109	675,262
Opening adjustment under IFRS 9*	(4,316)	-
Balance at 1 January (adjusted opening as per IFRS 9)	632,793	675,262
Allowances for impairment made during the period	28,032	6,113
Write back / recoveries made during the period	(22,002)	(5,417)
Amounts written off during the period	36,120	13,516
Exchange and other adjustments	(32,649)	(44,643)
Closing balance	642,294	644,831

*Impact of adopting IFRS 9 is exclusively from general reserve which has been credited to general impairment reserve in the statement of changes in equity as per CB UAE final guidance note on IFRS 9 issued on 30 April 2018.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

3 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
(Loss) / profit for the period attributable to equity holders of the parent net of Directors' fee (AED'000)	(64,020)	11,815	(51,383)	19,764
Weighted average number of shares for basic EPS (in thousands)*	1,475,000	1,475,000	1,475,000	1,475,000
Effect of dilution:				
Mudaraba Instrument	1,511,857	1,647,225	1,511,857	1,647,225
Weighted average number of ordinary shares adjusted for the effect of dilution	2,986,857	3,122,225	2,986,857	3,122,225
Attributable to equity holders of the Parent:				
Basic (loss) / profit per share (AED)	(0.043)	0.0080	(0.035)	0.0134
Diluted (loss) / profit per share (AED)	(0.043)	0.0038	(0.035)	0.0063

*The weighted average numbers of shares for basic EPS were reduced by the purchase of own shares during the year 2008.

Diluted loss per share has been reported same as basic loss per share in these interim consolidated financial statements, as the impact of potential ordinary shares is anti-dilutive.

4 CASH AND BALANCES WITH BANKS

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Cash on hand	59	59
Balances with banks	168,748	435,839
Deposits with banks	159,244	237,117
Cash and balances with banks	328,051	673,015
Less: Restricted cash and deposits		
Regulatory deposit with no maturity (note 4.1)	(35,000)	(35,000)
Restricted cash (note 4.2)	(147,767)	(205,453)
Cash and cash equivalents	145,284	432,562

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

4.2 At period ended 30 September 2018, the Group reported AED 148 million (31 December 2017: AED 205 million) of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture (Note 8).

4.3 The Company 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

5 INVESTMENT SECURITIES

	<i>UAE</i>		<i>International</i>		<i>Total</i>	
	<i>30 September 2018</i>	<i>31 December 2017</i>	<i>30 September 2018</i>	<i>31 December 2017</i>	<i>30 September 2018</i>	<i>31 December 2017</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 (FVOCI)	4,266	-	7,715	-	11,981	-
Equities (AFS)	-	-	-	12,387	-	12,387

30 September 2018 (Unaudited)

	<i>Investments carried at fair value</i>			
	<i>Total</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 (FVOCI)	11,981	4,266	-	7,715
	11,981	4,266	-	7,715

31 December 2017 (Audited)

	<i>Investments carried at fair value</i>			
	<i>Total</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 (AFS)	12,387	4,670	-	7,717
	12,387	4,670	-	7,717

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>30 September 2018</i>	<i>31 December 2017</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance at 1 January	7,717	7,688
Exchange movement	(2)	29
	7,715	7,717

6 ADVANCES FOR INVESTMENT PROPERTIES

	<i>30 September 2018</i>	<i>31 December 2017</i>
	<i>AED'000</i>	<i>AED'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Advances for investment properties	322,818	322,818
	322,818	322,818

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

6 ADVANCES FOR INVESTMENT PROPERTIES (continued)

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 commenced arbitration in 2013 with one developer to facilitate recovery of advances paid of AED 780 million with a carrying value of AED 293 million (31 December 2017: AED 293 million), the outcome of which management believes will have no negative impact on the carrying value of advances for investment properties at period end (see note 12).

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 2017: 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. The Group has not yet obtained title to the properties and is committed to pay an additional AED 23 million (31 December 2017: AED 23 million) in accordance with the agreement with the seller of one of the real estate projects.

7 INVESTMENT PROPERTIES

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
At 1 January	1,821,064	1,623,096
Addition during the period / year	180,677	143,109
Disposal during the period / year	(19,919)	(24,282)
Fair value (loss) / gain on investment properties	(24,740)	69,530
Foreign exchange fluctuation	(690)	9,611
	<u>1,956,392</u>	<u>1,821,064</u>

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 quarter 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. During the period ended 30 September 2018, the management has used the lower range of the fair values for all investment properties where more than one fair valuer has been used.

Investment properties as at 30 September 2018 include a plot of land and three (31 December 2017: two) units in Egypt owned by the Group's subsidiaries amounting to AED 177 million (31 December 2017: AED 169 million). All other investment properties are located within the UAE. The carrying values also include foreign exchange loss amounting to AED 249 million (31 December 2017: AED 248 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.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

7 INVESTMENT PROPERTIES (continued)

As at 30 September 2018, investment properties having fair value of AED 1,033 million (31 December 2017: AED 985 million) are mortgaged / assigned in favour of the security agent as part of the restructuring.

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>30 September 2017 AED'000 (Unaudited)</i>
Rental income derived from investment properties	48,452	45,090
Direct operating expenses (including repairs and maintenance) generating rental income	(10,408)	(11,229)
	<hr/>	<hr/>
Profit arising from investment properties carried at fair value	38,044	33,861
	<hr/> <hr/>	<hr/> <hr/>

8 PROPERTIES UNDER DEVELOPMENT

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
At 1 January	212,849	220,679
Cost of sale of properties under development	(5,304)	(21,670)
Additions for construction costs incurred	2,055	13,840
	<hr/>	<hr/>
	209,600	212,849
	<hr/> <hr/>	<hr/> <hr/>

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 was 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 30 September 2018 is AED 148 million (31 December 2017: AED 205 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.

As at 30 September 2018, properties under development are assigned as security in favour of the security agent as part of the restructuring.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

8 PROPERTIES UNDER DEVELOPMENT (continued)

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

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Properties under development	209,600	212,849
Cash and balances with banks	147,767	205,453
Other assets - receivables	13,468	851
Other liabilities	(3,700)	(10,356)
Net Assets	367,135	408,797
	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>30 September 2017 AED'000 (Unaudited)</i>
Sale of properties under development	60,747	35,747
Cost of sale of properties under development	(5,304)	(14,533)
Operating expenses	(735)	(1,501)
Income on deposits	4,437	4,075
Profit for the period	59,145	23,788

Revenue for the period comprises AED 46 million (30 September 2017: AED 10 million) following satisfaction of transfer of control of land performance obligations and AED 15 million (30 September 2017: AED 26 million) following the infrastructure development has been 100% completed by the contractor and all major contingencies were waived during the period ended 30 June 2018. 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>Profit rate</i>	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Murabaha	2%	207,228	229,296
Wakala	4%	128,375	199,695
Others	4%	294,250	457,722
Purchase price payable	2%	4,011,781	4,439,015
		4,641,634	5,325,728
Amortised fair value adjustment (note 9.1)		(449,348)	(533,691)
		4,192,286	4,792,037

Investments deposits and other Islamic financing are secured against assignment and mortgages over the Group's investment properties located in UAE (notes 7 and 8), assignment of insurance, pledge over bank accounts (note 4), assignment of rights to receive payments in connection with the Islamic financing and investing assets portfolio and corporate guarantees of the Group's subsidiaries. Securities offered would be held by a security agent on behalf of financiers.

9 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING (continued)**9.1 Amortised fair value adjustment**

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
At 1 January	533,691	643,704
Amortisation charged for the period / year	(84,343)	(110,013)
	449,348	533,691

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 4,642 million (31 December 2017: AED 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 30 September 2018 was AED 462 million (31 December 2017: AED 377 million) giving a residual fair value gain of AED 449 million as at 30 September 2018 (31 December 2017: AED 534 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, as subsequently modified in December 2016, based on an assessment of the cash position of the Group every 6 months. The first of 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.

An advance payment of AED 684 million representing 10 future scheduled monthly installments till December 2018 was paid on 25 January 2018.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (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 (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 nine months period ended 30 September are as follows:

30 September 2018 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Operating income	97,373	125,776	12,393	235,542
Allowances for impairment	(41,157)	924	(2,135)	(42,368)
Amortisation of initial fair value gain	(40,328)	(36,853)	(7,162)	(84,343)
Expenses (including allocated expenses)	(54,414)	(24,462)	(7,663)	(86,539)
Cost of sale of properties under development	-	(5,304)	-	(5,304)
Share of results of an associate	-	-	14,950	14,950
Distribution to financiers / investors	(36,113)	(35,099)	(12,091)	(83,303)
Segment results	<u>(74,639)</u>	<u>24,982</u>	<u>(1,708)</u>	<u>(51,365)</u>
Non-controlling interests				(2,268)
				<u>(53,633)</u>

30 September 2017 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Operating income	174,008	81,791	14,194	269,993
Reversal / (allowances) for impairment	15,520	1,054	(2,007)	14,567
Amortisation of initial fair value gain	(39,674)	(35,249)	(7,000)	(81,923)
Expenses (including allocated expenses)	(54,181)	(23,990)	(5,651)	(83,822)
Cost of sale of properties under development	-	(14,533)	-	(14,533)
Share of results of an associate	-	-	18,564	18,564
Distribution to financiers / investors	(44,153)	(38,873)	(10,112)	(93,138)
Segment results	<u>51,520</u>	<u>(29,800)</u>	<u>7,988</u>	<u>29,708</u>
Non-controlling interests				(7,694)
				<u>22,014</u>

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

10 SEGMENTAL INFORMATION (continued)

Segment assets and liabilities:

The following table presents segment assets and liabilities of the Group as at 30 September 2018 and 31 December 2017:

30 September 2018 (Unaudited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Segment assets	<u>3,479,415</u>	<u>1,987,420</u>	<u>462,038</u>	<u>5,928,873</u>
Segment liabilities	<u>1,225,634</u>	<u>2,726,222</u>	<u>481,678</u>	<u>4,433,534</u>

31 December 2017 (Audited):

	<i>Real Estate Finance AED'000</i>	<i>Real Estate Investment AED'000</i>	<i>Corporate Finance Investment AED'000</i>	<i>Total AED'000</i>
Segment assets	<u>4,211,495</u>	<u>1,941,354</u>	<u>426,395</u>	<u>6,579,244</u>
Segment liabilities	<u>1,885,362</u>	<u>2,689,584</u>	<u>433,390</u>	<u>5,008,336</u>

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:

30 September 2018 (Unaudited):

	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Cash and bank balances	-	-	59,037	59,037
Islamic financing and investing assets	-	15,786	9,009	24,795
Investment securities	-	-	7,249	7,249
Investment deposits	117,688	-	941,789	1,059,477
Other assets	-	-	703	703
Other liabilities	39	-	769	808

31 December 2017 (Audited):

	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Cash and balances with banks	-	-	113,802	113,802
Islamic financing and investing assets	-	18,268	10,915	29,183
Investment securities	-	-	7,249	7,249
Investment deposits	130,221	-	1,042,085	1,172,306
Other assets	-	-	703	703
Other liabilities	51	-	860	911

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2018 (Unaudited)

11 RELATED PARTY TRANSACTIONS (continued)

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

30 September 2018 (Unaudited)

	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Income from Islamic financing and investing assets	-	835	331	1,166
Distribution to financiers / investors	1,802	-	14,418	16,220

30 September 2017 (Unaudited)

	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>Total AED'000</i>
Income from Islamic financing and investing assets	-	485	504	989
Distribution to financiers / investors	1,975	-	15,805	17,780

Compensation of key management personnel

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

	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>30 September 2017 AED'000 (Unaudited)</i>
Salaries and other benefits	11,207	12,074
Employee terminal benefits	1,204	300
	<u>12,411</u>	<u>12,374</u>

The Group in their annual general meeting dated 10 April 2018 has approved Directors' fee of AED 2.25 million (30 September 2017: AED 2.25 million) which is included in the interim consolidated statement of changes in equity.

12 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>Notes</i>	<i>30 September 2018 AED'000 (Unaudited)</i>	<i>31 December 2017 AED'000 (Audited)</i>
Irrevocable commitments to advance financing	12.1	332,784	386,477
Commitments for advances for investment properties	12.2	23,251	23,251
Commitments for investment properties	12.3	93,968	-
Commitments against capital expenditure	12.4	1,271	970
		<u>451,274</u>	<u>410,698</u>

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 properties.

12.4 This represents commitment towards implementation of IT projects.

12 COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

- a) The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and, based on legal counsel advice received, believes it is less than probable that such actions taken by counter parties would succeed, except for cases against which a provision of AED 3 million (31 December 2017: AED 3 million) has been made.

- b) The developer against which the Company commenced arbitration in 2013 as detailed in note 6 has in turn also filed an arbitration case against the Group during the year ended 31 December 2017 amounting to AED 669 million to recover purported losses. Based on the advice received from third party legal counsel, the Company has concluded it is unlikely that the counterparty will be successful with this action and hence no provision has been recorded in the interim combined consolidated financial statements for the period ended 30 September 2018.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

13 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

At 30 September 2018 (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	145,182	102	147,767	293,051	-	-	35,000	328,051
Islamic financing and investing assets	271,210	81,829	189,791	542,830	646,990	1,514,881	-	2,704,701
Investment securities	-	-	-	-	-	-	11,981	11,981
Advance for investment properties	-	-	-	-	30,036	292,782	-	322,818
Investment properties	-	-	-	-	1,270,240	686,152	-	1,956,392
Properties under development	-	-	-	-	209,600	-	-	209,600
Investments in an associate	-	87,380	-	87,380	-	-	203,885	291,265
Other assets	41,843	20,120	10,949	72,912	13,467	-	-	86,379
Furniture, fixture and office equipment	-	-	-	-	-	-	17,686	17,686
Total assets	458,235	189,431	348,507	996,173	2,170,333	2,493,815	268,552	5,928,873
Liabilities								
Investment deposits and other Islamic financing	-	157,297	361,551	518,848	1,859,113	1,814,325	-	4,192,286
Term Islamic financing	2,451	2,184	11,934	16,569	38,402	55,940	-	110,911
Employees' end of service benefits	-	-	-	-	-	-	4,946	4,946
Other liabilities	93,169	1,382	3,332	97,883	27,508	-	-	125,391
Total liabilities	95,620	160,863	376,817	633,300	1,925,023	1,870,265	4,946	4,433,534
Commitments	329,907	615	3,533	334,055	117,219	-	-	451,274
Net liquidity gap	32,708	27,953	(31,843)	28,818	128,091	623,550	263,606	1,044,065
Cumulative net liquidity gap	32,708	60,661	28,818	28,818	156,909	780,459	1,044,065	1,044,065

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

13 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

At December 31, 2017

	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	430,403	2,159	-	432,562	205,453	-	35,000	673,015
Islamic financing and investing assets	663,413	57,335	85,318	806,066	662,782	1,616,135	-	3,084,983
Investment securities	-	-	-	-	-	-	12,387	12,387
Advance for investment properties	-	-	-	-	30,036	292,782	-	322,818
Investment properties	-	-	-	-	1,121,691	699,373	-	1,821,064
Properties under development	-	-	-	-	212,849	-	-	212,849
Investment in an associate	-	-	-	-	-	-	302,567	302,567
Other assets	122,193	2,864	6,594	131,651	838	-	-	132,489
Furniture, fixture and office equipment	-	-	-	-	-	-	17,072	17,072
Total assets	1,216,009	62,358	91,912	1,370,279	2,233,649	2,608,290	367,026	6,579,244
Liabilities								
Investment deposits and other Islamic financing	68,406	205,218	410,437	684,061	2,153,547	1,954,429	-	4,792,037
Term Islamic financing	1,158	1,157	2,314	4,629	22,948	38,559	-	66,136
Employees' end of service benefits	-	-	-	-	-	-	6,551	6,551
Other liabilities	121,733	3,383	7,609	132,725	10,887	-	-	143,612
Total liabilities	191,297	209,758	420,360	821,415	2,187,382	1,992,988	6,551	5,008,336
Commitments	381,919	3,432	2,097	387,448	23,250	-	-	410,698
Net liquidity gap	642,793	(150,832)	(330,545)	161,416	23,017	615,302	360,475	1,160,210
Cumulative net liquidity gap	642,793	491,961	161,416	161,416	184,433	799,735	1,160,210	1,160,210