Amlak Finance PJSC
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

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REPORT OF THE DIRECTORS

The Directors present their report and consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESTRUCTURING UPDATES

During the year 2014, the Group has achieved a major milestone by successful completion of restructuring its "Investment deposits and other Islamic financing" as stated in the notes to attached consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the attached consolidated financial statements.

AUDITORS

Ernst & Young have indicated their willingness to continue as auditors of the Company in 2015 and offer themselves for re-appointment.

Signed on behalf of the Board of Directors

5 February 2015

Dubai, United Arab Emirates

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Amlak Finance PJSC (the 'Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, the applicable provisions of the Articles and Memorandum of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion
The Group's accounting policy is to carry investment properties and advances for investment properties at their fair values reflecting the market conditions at the reporting date. Over the period 2009 to 2014, with respect to the majority of investment properties and advances for investment properties held by the Group, no adjustments were recorded against the carrying value of these assets despite a management expectation that property prices had changed significantly over the period. Our audit reports and review conclusions over the same period were qualified for this noncompliance with the Group's accounting policy.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC (continued)

Basis for Qualified Opinion (continued)
As at 31 December 2014, all investment properties and advances for investment properties have been stated at fair value in the consolidated statement of financial position giving rise to a charge to the consolidated statement of income in the period of AED 2,115 million representing movements in fair value for the period 2009 to 2014. Part of the movement in fair value recorded in the current period of AED 2,115 million relates to previously unrecorded movements in fair value for the period between 2009 to 2013. As fair value movements for these periods have not been provided to us, we were unable to determine the amount of fair value gain/loss relating to prior periods. This matter has been highlighted in notes 11 and 12 to the consolidated financial statements.

Qualified Opinion
In our opinion, except for the effects of the matter described in the Basis for Qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

We also confirm that, in our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph and note 2.1 of the consolidated financial statements:

i) The consolidated financial statements include, in all material respects, the applicable requirements of the Articles and Memorandum of Association of the Company and the UAE Commercial Companies Law of 1984 (as amended);

ii) Proper books of account have been kept by the Company, and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account;

iii) We have obtained all the information and explanations, which we required for the purpose of our audit; and

iv) To the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), or of the Articles and Memorandum of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst + Young

Signed by
Anthony O'Sullivan
Partner
Registration No. 687

5 February 2015

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

	Notes	**2014** *AED'000*	*2013* *AED'000*
Income from Islamic financing and investing assets	4	**368,128**	406,572
Fee income		**8,471**	27,897
Income on deposits		**4,556**	6,428
Rental income		**34,021**	24,285
Other income		**13,846**	20,694
Fair value loss on investment properties	11 & 12	**(2,114,599)**	(140,849)
		(1,685,577)	345,027
Reversal of impairment / (impairment) on:			
- Islamic financing and investing assets		**76,528**	48,201
- Available-for-sale investments		**(2,314)**	(4,276)
- Advance against investment properties		**-**	(8,582)
- Other assets		**2,424**	(1,625)
- Fair value adjustment on investment deposits and other Islamic financing	17	**886,318**	-
- Fair value adjustment on Mudaraba Instrument	26	**1,026,867**	-
Operating expenses	5	**(181,216)**	(132,174)
Share of results of associates	14	**22,213**	16,734
PROFIT BEFORE DISTRIBUTIONS TO FINANCIERS/INVESTORS		**145,243**	263,305
Distributions to financiers/investors	6	**(230,701)**	(215,760)
(LOSS)/PROFIT FOR THE YEAR		**(85,458)**	47,545
Attributable to:			
Equity holders of the parent		**58,858**	48,234
Non-controlling interests	27	**(144,316)**	(689)
		(85,458)	47,545
Profit per share attributable to equity holders of the parent			
Basic profit per share (AED)	7	**0.040**	0.030
Diluted profit per share (AED)	7	**0.035**	0.030

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 *AED'000*	*2013* *AED'000*
(Loss) / profit for the year	**(85,458)**	47,545
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net (loss) / profit on available-for-sale investments	**(1,891)**	3,235
Exchange differences on translation of foreign operations	**(12,678)**	(48,985)
Other comprehensive income for the year	**(14,569)**	(45,750)
Total comprehensive income for the year	**(100,027)**	1,795
Attributable to:		
Equity holders of the parent	**44,289**	2,484
Non-controlling interests	**(144,316)**	(689)
	(100,027)	1,795

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	*2014 AED'000*	*2013 AED'000*
ASSETS			
Cash and balances with banks	8	**497,736**	1,388,740
Islamic financing and investing assets	9	**4,264,502**	6,271,544
Available-for-sale investments	10	**23,945**	28,479
Advances for investment properties	11	**312,036**	740,383
Investment properties	12	**1,489,968**	3,341,793
Properties under development	13	**363,281**	-
Investments in associates	14	**267,831**	261,128
Other assets	15	**68,548**	62,925
Furniture, fixtures and office equipment	16	**13,924**	11,197
TOTAL ASSETS		**7,301,771**	12,106,189
LIABILITIES AND EQUITY			
Liabilities			
Investment deposits and other Islamic financing	17	**5,270,291**	10,205,046
Term Islamic financing	18	**50,935**	83,650
Employees' end of service benefits	19	**6,085**	5,150
Other liabilities	20	**134,564**	138,083
Total liabilities		**5,461,875**	10,431,929
Equity			
Equity attributable to equity holders of the parent			
Share capital	21	**1,500,000**	1,500,000
Employee stock option plan shares	22	**(93,048)**	(93,048)
Statutory reserve	23	**117,158**	117,158
General reserve	24	**117,158**	117,158
Special reserve	25	**99,265**	99,265
Mudaraba Instrument	26	**273,133**	-
Mudaraba Instrument reserve	26	**1,026,867**	-
Cumulative changes in fair value		**2,533**	4,424
Foreign currency translation reserve		**(106,447)**	(93,769)
Accumulated losses		**(1,237,046)**	(261,567)
		1,699,573	1,389,621
Non-controlling interests	27	**140,323**	284,639
Total equity		**1,839,896**	1,674,260
TOTAL LIABILITIES AND EQUITY		**7,301,771**	12,106,189

Approved by the Board of Directors on 5 February 2015 and signed on its behalf by:

Vice Chairman	Director	Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	*2014 AED'000*	*2013 AED'000*
OPERATING ACTIVITIES			
(Loss) / profit for the year		**(85,458)**	47,545
Adjustments for:			
Depreciation	16	**3,314**	2,792
Share of results of associates		**(22,213)**	(16,734)
Proportionate share of results of Joint venture	13	**(269)**	-
Impairment of available-for-sale investments		**2,314**	4,276
(Reversal) / impairment of other assets		**(2,424)**	1,625
Reversal of impairment on Islamic financing and investing assets		**(76,528)**	(63,679)
Fair value loss on advances against investment properties	11	**425,295**	13,313
Fair value loss on investment properties	12	**1,689,304**	136,118
Fair value adjustment on investment deposits	17	**(886,318)**	-
Fair value adjustment on Mudaraba Instrument	26	**(1,026,867)**	-
Distribution to financiers/investors		**230,701**	215,760
Income on deposits		**(4,556)**	(6,428)
Provision for employees' end of service benefits	19	**1,468**	1,493
		247,763	336,081
Working capital changes:			
Islamic financing and investing assets		**1,113,377**	860,312
Other assets		**16,122**	(2,635)
Other liabilities		**15,355**	5,101
Cash from operations		**1,392,617**	1,198,859
Employees' end of service benefits paid	19	**(533)**	(779)
Net cash from operating activities		**1,392,084**	1,198,080
INVESTING ACTIVITIES			
Dividend from associate		**15,510**	-
Proceeds from sale of available-for-sale investments		**308**	-
Proceeds from disposal of investment properties		**-**	1,042
Payment against properties under development		**(200,000)**	-
Payment of advances for investment properties	11	**(1,808)**	-
Proceeds from Wakala deposits		**1,440,000**	1,088,000
Placement of Wakala deposits		**(650,000)**	(988,000)
Purchase of furniture, fixtures and office equipment	16	**(6,058)**	(8,300)
Income on deposits		**4,556**	6,428
Net cash from investing activities		**602,508**	99,170
FINANCING ACTIVITIES			
Payment of term Islamic financing		**-**	(10,058)
Investment deposits and other Islamic financing		**(3,065,125)**	(239,991)
Directors' fees paid		**(1,060)**	(5,130)
Proceed from Term Financing		**12,376**	-
Net cash used in financing activities		**(3,053,809)**	(255,179)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(1,059,217)**	1,042,071
Foreign currency translation reserve		**(2,428)**	(11,315)
Cash and cash equivalents at the beginning of the year		**1,353,740**	322,984
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**292,095**	1,353,740

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to the equity holders of the parent												
	Share capital AED'000	*Employee stock option plan shares AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Mudaraba Instrument AED'000*	*Mudaraba Instrument reserve AED'000*	*Cumulative changes in fair value AED'000*	*Foreign currency translation reserve AED'000*	*Accumulated losses AED'000*	*Total AED'000*	*Non- controlling interests AED'000*	*Total equity AED'000*
At 1 January 2014	1,500,000	(93,048)	117,158	117,158	99,265	-	-	4,424	(93,769)	(261,567)	1,389,621	284,639	1,674,260
Profit / (loss) for the year	-	-	-	-	-	-	-	-	-	58,858	58,858	(144,316)	(85,458)
Other comprehensive income for the year	-	-	-	-	-	-	-	(1,891)	(12,678)	-	(14,569)	-	(14,569)
Total comprehensive income for the year	-	-	-	-	-	-	-	(1,891)	(12,678)	58,858	44,289	(144,316)	(100,027)
Mudaraba Instrument at initial recognition (note 26)	-	-	-	-	-	273,133	-	-	-	-	273,133	-	273,133
Transfer of fair value gain to Mudaraba Instrument reserve (note 26)	-	-	-	-	-	-	1,026,867	-	-	(1,026,867)	-	-	-
Zakat	-	-	-	-	-	-	-	-	-	(6,310)	(6,310)	-	(6,310)
Directors' fee paid (note 30)	-	-	-	-	-	-	-	-	-	(1,160)	(1,160)	-	(1,160)
At 31 December 2014	**1,500,000**	**(93,048)**	**117,158**	**117,158**	**99,265**	**273,133**	**1,026,867**	**2,533**	**(106,447)**	**(1,237,046)**	**1,699,573**	**140,323**	**1,839,896**

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2014

	Attributable to the equity holders of the parent										
	Share capital AED'000	*Employee stock option plan shares AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Foreign currency translation reserve AED'000*	*Accumulated losses AED'000*	*Total AED'000*	*Non- controlling interests AED'000*	*Total equity AED'000*
At 1 January 2013	1,500,000	(93,048)	91,373	91,373	99,265	1,189	(44,784)	(253,101)	1,392,267	285,328	1,677,595
Profit / (loss) for the year	-	-	-	-	-	-	-	48,234	48,234	(689)	47,545
Other comprehensive income for the year	-	-	-	-	-	3,235	(48,985)	-	(45,750)	-	(45,750)
Total comprehensive income for the year	-	-	-	-	-	3,235	(48,985)	48,234	2,484	(689)	1,795
Transfer to statutory reserves	-	-	25,785	-	-	-	-	(25,785)	-	-	-
Transfer to general reserves	-	-	-	25,785	-	-	-	(25,785)	-	-	-
Directors' fee paid	-	-	-	-	-	-	-	(5,130)	(5,130)	-	(5,130)
At 31 December 2013	1,500,000	(93,048)	117,158	117,158	99,265	4,424	(93,769)	(261,567)	1,389,621	284,639	1,674,260

The attached notes 1 to 31 form part of these consolidated financial statements.

1 ACTIVITIES

Amlak Finance PJSC (the 'Company') was incorporated in Dubai, United Arab Emirates, on 11 November 2000 as a private shareholding company in accordance with UAE Federal Law No (8) of 1984, as amended. At the constituent shareholders meeting held on 9 March 2004, a resolution was passed to convert the Company to a Public Joint Stock Company.

The 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.

Trading in the Company's shares on the Dubai Financial Market (**"DFM"**) has been suspended since 2008 and the Company is in the process of re-admission of its shares to trading on DFM.

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

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

With the advent of the global financial and credit crisis in late 2008, the Company experienced material uncertainties that cast significant doubt over its ability to continue as going concern and consequently did not hold a general meeting of shareholders since 2008. The key uncertainties facing the Company were; the implications of the Company's accumulated losses, and equity position in respect of the likely impairment required on the investment property portfolio and associated advances as explained in notes 11 and 12 respectively, regulatory compliance, and re-financing risk in view of its structural liquidity emanating from a significant assets and liability mismatch position.

The Company commenced a restructuring process with its Financiers under the supervision of a Committee to assess the conditions of some public shareholding companies in the UAE ("Steering Committee") established in 2009 by the UAE Cabinet under the chair of the Ministry of Economy.

A restructuring package under the supervision of the Steering Committee was developed within the principles of Shari'a and agreed with a formally appointed Financier Coordinating Committee ("CoCom"), and presented to all Financiers in June 2014, which received 100% acceptance. The restructuring which was implemented and effective from 25 November 2014, has the following features:

- Prior to restructuring, the Company had AED 10.2 billion of investment deposits with an expected profit rate in the range of 1.75% - 4% per annum.

- Cash injected by the liquidity support providers amounting to AED 1.7 billion previously having a maturity of 3 months, will be payable over 6 years in equal monthly installments with a profit rate of 4% per annum.

- Other Commercial Deposits of AED 8.5 billion previously having a maturity of 0-3 months were restructured as follows:

a) AED 1.7 billion (representing 20%), was repaid in August 2014;
b) AED 5.5 billion (representing 65%), is payable over 12 years in monthly installments with a profit rate of 2% per annum; and
c) AED 1.3 billion (representing 15%), was replaced with a Mudaraba Instrument with a maturity period of 12 years and an expected profit rate of 1% per annum on the outstanding balance each year, payable as profit in kind ("PIK") which the Company can elect to make distributions in cash or in the form of shares. The Mudaraba Instrument to the extent it is not redeemed will convert in upto 1,956 million shares of the Company with a par value of AED 1 each.

2.1 BASIS OF PREPARATION (continued)

Restructured investment deposits and other Islamic financing are secured against assignment and mortgage over the Group's investment properties located in UAE (notes 12 and 13), assignment of insurances, pledge over bank accounts (note 8), 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.

As part of the restructuring process, shareholders passed resolutions in the extraordinary general assembly meeting on 28 September 2014 to increase the share capital of the Company by upto AED 2.1 billion from time to time in such amount or amounts as may be required.

As the formal restructuring process has been completed, these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments, investment properties and advance for investment properties.

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

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

Basis of consolidation
The consolidated financial statements comprise the financial statements of Amlak Finance PJSC and its subsidiaries (the Group) as at 31 December 2014.

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

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

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

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

If the Group loses control over a subsidiary, it:

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)
The principal activities of the subsidiaries are the same as those of the parent company. The extent of the Group's shareholding in the subsidiaries is as follows:

Company	*Basis for Consolidation*	*Country of incorporation*	*Percentage shareholding 2014*	*2013*
Amlak Finance & Real Estate Investment (S.A.E.)	Subsidiary	Egypt	**100%**	100%
Amlak Property Services LLC	Subsidiary	UAE	**-**	100%
EFS Financial Services LLC	Subsidiary	UAE	**57.5%**	57.5%
Amlak Sky Gardens LLC (see note 27.1)	Subsidiary	UAE	**100%**	100%
Amlak Holding Limited	Subsidiary	UAE	**100%**	100%
Waraqaa Heights LLC	Subsidiary	UAE	**100%**	100%
Amlak Capital LLC	Subsidiary	UAE	**100%**	100%
Amlak Properties Investment LLC	Subsidiary	UAE	**100%**	100%
Amlak Limited	Subsidiary	UAE	**100%**	100%
Amlak Nasr City Real Estate Investment LLC	Subsidiary	Egypt	**100%**	100%

During the year, the Group has liquidated Amlak Property Services LLC.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adapted in the preparation of these financial statements are consistent with those used in previous period, except as follows:

New and amended standards and interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Annual improvements 2010-2012 Cycle (continued)

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements *2011-2013 Cycle*
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint / arrangement itself

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Annual improvements *2011-2013 Cycle (continued)*

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

2.3 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

Use of estimates:

The preparation of the financial statements requires management to use its judgment and make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions and fair value for the year. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Impairment losses on financing and investing assets

The Group reviews its financing and investing assets on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

Collective impairment provisions on financing and investing assets

In addition to specific provisions against individually significant financing and investing assets, the Group also makes a collective impairment provision against such assets. The collective impairment is established with reference to expected loss rates associated with different finance portfolios at different risk levels and the estimated time period for losses that are present but yet to be specifically identified, adjusting for the Group's view of the current and ongoing economic and portfolio trends. The parameters that affect the collective provisioning calculation are updated regularly, based on the Group's experience and that of the market in general. Expected loss rates for the portfolios are based on the risk rating of each amount and on the probability of default factors associated with each risk rating.

2.3 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS (continued)

Use of estimates: (continued)

Valuation of unquoted equity investments

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

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

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

Impairment of associate

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

Provisions, contingent liabilities and commitments

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

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

Revaluation of investment properties and advances for investment properties

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

Judgements

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss, or available for sale. For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and in particular that the Group has the intention and ability to hold these to maturity. The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers. Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss. All other investments are classified as available for sale.

Impairment of available-for-sale equity investments

The Group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of non financial assets

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

2.4 DEFINITIONS

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

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

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

Forward Ijarah (Ijara Mausoofa Fiz Zimma)
Forward Ijarah is an arrangement whereby the parties' (i.e. lessor and lessee) agree that the lessor shall on a specified future date provide certain described property on lease to the lessee upon its completion and delivery by the developer, from whom the lessor has purchased the property. The lease rental under Forward Ijara commences only upon the lessee having received possession of the property from the Group. Forward Ijarah ends by transfer of ownership in the asset to the lessee. Under a Forward Ijara Group may act as a lessor or a lessee, as the case may be.

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

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

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

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

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

Mudaraba Instrument
An instrument issued in favour of a facility agent, acting for and on behalf of the financiers (as Agent) in respect of their share in the mortgage portfolio pursuant to which the Agent transferred rights, interests, benefits and entitlements in the mortgage portfolio to Amlak Shaheen Limited (as Issuer). The Company and the Issuer (as Rab Al Maal) entered into Mudaraba whereby the mortgage portfolio as Mudaraba Capital will be invested by the Company. Any redemption of the Mudaraba Instrument will be through the Group making a payment under a Mudaraba contract to the Issuer.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

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

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

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

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

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

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

Sale of properties
Profit on sale of properties is recognised when the profit can be measured reliably and significant risks and rewards are transferred to the buyer. When such sales are accompanied by deferred payment terms or Ijarah financing, only the difference between the current cash sales price and the carrying amount of such assets is recognised as profit with the difference between the gross amounts ultimately receivable and current cash sales price recognised on an effective yield basis.

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

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

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

Allocation of profit
Allocation of profit between the financiers and the shareholders is calculated according to the Group's standard procedures and is approved by the Group's Fatwa and Sharia'a Supervisory Board.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Group assesses at the end of each reporting period whether there is objective evidence that Islamic financing and investing assets are impaired. Islamic financing asstes are considered impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or property under development, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property or property under development becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment or property under development up to the date of change in use.

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

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

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

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

Available-for-sale
After initial recognition, investments classified as "available for sale," are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. Upon impairment any losses, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity are included in the statement of income for the year.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and joint ventures (continued)
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

The statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

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

Furniture and fixtures	4 - 7 years
Computer and office equipment	3 years

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

The carrying values of furniture, fixtures and office equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.
Expenditure incurred to replace furniture, fixtures and office equipment is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Zakat
Zakat is computed as per the Group's Articles and Memorandum of Association on the following basis:

- Zakat on shareholders' equity is computed on their Zakat pool (shareholders' equity less paid up capital, plus employees' end of service benefits) and is deducted from retained earnings.
- Zakat on the paid up capital is not included in the Zakat computation and is payable by the shareholders personally.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-laws set by the Board.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Employees' benefit plan shares
Employees' benefit plan shares consist of the Group's own shares that have been designated under the Employee Stock Ownership Plan and not yet reissued or cancelled. These shares are accounted for using the weighted average cost method. Under the cost method, the average cost of the shares is shown as a deduction from total shareholders' equity.

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

Financial instruments – initial recognition and subsequent measurement

a) Financial assets
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement
Financial assets are classified as financial assets at fair value through profit or loss, financing and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

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

- Financial assets at fair value through profit or loss
- Financing and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

a) Financial assets (continued)

Subsequent measurement (continued)
Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of income.

Financing and receivables
Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income in finance costs for financing and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the consolidated statement of income. The losses arising from impairment are recognised in the consolidated statement of income in finance costs.

Available-for-sale financial investments
Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.
After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the consolidated statement of income in finance costs. Profit earned whilst holding available-for-sale financial investments is reported as income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

a) Financial assets (continued)

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

a) Impairment and uncollectibility of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

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

b) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified as financial liabilities at fair value through profit or loss, financing, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financing, net of directly attributable transaction costs.

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

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

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

b) Financial liabilities (continued)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group's financial liabilities at fair value through profit or loss are comprised of its finance rate derivative bifurcated from its term finance agreement.

Financing

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

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

Financial guarantee contracts

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

Derecognition

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

c) Offsetting of financial instruments

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

Fair value measurement

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

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

c) Offsetting of financial instruments (continued)

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

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

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

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

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

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

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

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

Segment reporting

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

Contingencies

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

4 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2014 *AED'000*	*2013* *AED'000*
Financing assets:		
Ijarah	**354,209**	388,388
Forward Ijarah	**2,313**	5,648
Others	**798**	747
	357,320	394,783
Investing assets:		
Wakala	**10,808**	11,789
	368,128	406,572

5 OPERATING EXPENSES

	2014 *AED'000*	*2013* *AED'000*
Personnel	**58,292**	53,632
Legal consultancy and professional	**42,105**	34,983
Business process	**15,899**	14,361
Property management	**14,960**	10,062
Rent	**3,724**	3,858
IT related expense	**11,915**	4,287
Depreciation	**3,314**	2,792
Litigation claims	**15,425**	-
Others	**15,582**	8,199
	181,216	132,174

6 DISTRIBUTION TO FINANCIERS/INVESTORS

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

7 BASIC AND DILUTED PROFIT PER SHARE

Basic profit per share (EPS) is calculated by dividing profit attributable to the equity holders of the parent for the year, by weighted average number of shares outstanding during the year.

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

7 BASIC AND DILUTED PROFIT PER SHARE (continued)

	2014	*2013*
Profit for the year attributable to equity holders of the parent (AED'000)	**58,858**	48,234
Weighted average number of shares for basic EPS (in thousands)	**1,475,000**	1,475,000
Effect of dilution:		
Mudaraba Instrument (note 26)	**198,279**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,673,279**	1,475,000
Attributable to equity holders of the parent:		
Basic profit per share (AED)	**0.040**	0.030
Diluted profit per share (AED)	**0.035**	0.030

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 (note 22).

8 CASH AND BALANCES WITH BANKS

	2014 *AED'000*	*2013* *AED'000*
Cash on hand	**60**	49
Balances with banks	**279,812**	1,351,034
Deposits with banks	**217,864**	37,657
Cash and balances with banks	**497,736**	1,388,740
Less: Deposits maturing after 1 year	**(35,000)**	(35,000)
Restricted cash	**(170,641)**	-
Cash and cash equivalents	**292,095**	1,353,740

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

At year end, the Group reported AED 171 million of restricted cash. This represents the Group's share of the cash held and controlled by a joint venture (note 13).

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 (note 2.1).

9 ISLAMIC FINANCING AND INVESTING ASSETS

	2014 *AED'000*	*2013* *AED'000*
Financing assets:		
Ijarah assets	**4,492,387**	5,685,160
Forward Ijarah	**400,863**	581,417
Real estate Murabaha	**13,001**	17,531
Others	**135,725**	106,013
	5,041,976	6,390,121
Allowance for impairment (note 9.1)	**(777,474)**	(908,577)
Total financing assets	**4,264,502**	5,481,544
Investing assets:		
Wakala	**-**	790,000
Total investing assets	**-**	790,000
	4,264,502	6,271,544

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

	2014 *AED'000*	*2013* *AED'000*
Within U.A.E.	**4,207,102**	6,215,565
Outside U.A.E.	**57,400**	55,979
	4,264,502	6,271,544

The movement in the allowance for impairment is as follows:

	2014 *AED'000*	*2013* *AED'000*
At 1 January	**908,577**	973,427
Movement during the year	**(131,103)**	(64,850)
At 31 December	**777,474**	908,577

9.1 Allowance for impairment includes AED 114.02 million (2013: AED 138.05 million) in respect of profit in suspense for impaired financing and investing assets.

9.2 As stated in note 2.3, the allowance for impairment is management's best estimate and is based on assumptions considering several factors.

10 AVAILABLE FOR SALE INVESTMENTS

	UAE		*International*		*Total*	
	2014 AED'000	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*
Equities and Funds	**15,000**	15,603	**8,945**	12,876	**23,945**	28,479

31 December 2014

		Investments carried at fair value		
	Total AED'000	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***
Equities	**8,945**	-	-	**8,945**
Funds	**15,000**	-	**15,000**	-
	23,945	-	**15,000**	**8,945**

31 December 2013

		Investments carried at fair value		
	Total AED'000	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*
Equities	13,479	-	-	13,479
Funds	15,000	-	15,000	-
	28,479	-	15,000	13,479

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

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

	2014 AED'000	*2013 AED'000*
Balance at 1 January	**13,479**	14,598
Net change in fair values	**(1,891)**	(1,041)
Provided during the year	**(2,314)**	-
Redeemed during the year	**(309)**	-
Exchange difference	**(20)**	(78)
Balance at 31 December	**8,945**	13,479

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.

11 ADVANCES FOR INVESTMENT PROPERTIES

	2014 AED'000	*2013 AED'000*
At 1 January	**740,383**	753,696
Transfer to investment properties (note 12)	**(4,860)**	-
Additions during the year	**1,808**	-
Fair value loss on advances for investment properties	**(425,295)**	(4,731)
Provision for advances for investment properties	**-**	(8,582)
At 31 December	**312,036**	740,383

This represents the advances paid by the Group towards the acquisition of certain units in under-development real estate projects in Dubai. The Group is in discussions with certain developers to renegotiate contracts, the outcome of which management believes will have no 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 23.25 million (2013: AED 25.06 million) in accordance with the agreement with the seller of real estate projects.

These advances are carried at fair value as at 31 December 2014 (2013: carried at cost except for advances with a fair value amounting to AED 3.05 million). The Group acquired certain properties amounting to AED 707 million which were carried at cost since reclassification to advances for investment properties in 2009. These advances were fair valued as at 31 December 2014 and a fair value loss of AED 425 million was recorded during the year.

The fair values of the advances for investment 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 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 year.

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 38 million is also recorded in the financial statements (note 18). Under the terms of the Istisna, the Group has no obligation to repay the Istisna finance of the asset until construction is completed.

12 INVESTMENT PROPERTIES

	2014 AED'000	*2013 AED'000*
At 1 January	**3,341,793**	3,370,048
Transfer from advances for investment properties (note 11)	**4,860**	-
Foreclosed properties	**172,832**	148,643
Fair value loss on investment properties	**(1,689,304)**	(136,118)
Transferred to properties under development (note 13)	**(330,000)**	-
Cost of properties sold during the year	**-**	(971)
Foreign exchange fluctuation	**(10,213)**	(39,809)
At 31 December	**1,489,968**	3,341,793

12 INVESTMENT PROPERTIES (continued)

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 as at 31 December 2014 (2013: carried at cost except for certain investment properties with a fair value amounting to AED 389.57 million). During the period from 2009 to 2013 the Group held certain properties amounting to AED 2,942 million which have been carried at cost since acquisition. These investment properties were fair valued as at 31 December 2014 and a fair value loss on these properties of AED 1,761 million was recorded during the year.

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.

Investment properties as at 31 December 2014 include a plot of land in Egypt owned by one of the Group's subsidiaries amounting to AED 303 million (2013: AED 281 million). All other investment properties are located within the UAE.

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 year.

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

As at 31 December 2014, investment properties having fair value of AED 775 million are mortgaged / assigned in favour of the security agent as part of the restructuring (note 2.1).

	2014 *AED'000*	*2013* *AED'000*
Rental income derived from investment properties	**34,021**	24,285
Direct operating expenses (including repairs and maintenance) generating rental income	**(14,960)**	(10,062)
Profit arising from investment properties carried at fair value	**19,061**	14,223

13 PROPERTIES UNDER DEVELOPMENT

	2014 *AED'000*	*2013* *AED'000*
At 1 January	**-**	-
Transfer from investment properties (note 12)	**330,000**	-
Additions during the year	**33,281**	-
At 31 December	**363,281**	-

13 PROPERTIES UNDER DEVELOPMENT (continued)

On 1 October 2014, the Group entered into a joint venture agreement with another party to develop a jointly owned plot of land in Nad Al Hammar. Amlak Finance PJSC acquired a 50% interest in Al Warqa Gardens LLC, a jointly controlled entity 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 Group has advanced AED 200 million cash to the joint venture to fund the development of the land, of which the group's share of costs capitalised at year end is AED 33.3 million. The remaining cash held by the joint venture is restricted, given that it is contractually committed to the development of the land under the joint venture agreement. The group's share of this restricted cash balance at 31 December 2014 is AED 170.6 million.

As at 31 December 2014, properties under development are assigned as security in favour of the security agent as part of the restructuring (note 2.1).

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

	2014 *AED'000*
Properties under development	33,281
Cash and balances with banks including other assets	170,770
Other liabilities	3,681
Net Assets	**200,370**
Revenue	497
General and administration expenses	(228)
Profit for the period	**269**

14 INVESTMENTS IN ASSOCIATES

	Percentage holding		*2014*	*2013*
	2014	*2013*	***AED '000***	*AED'000*
Amlak International for Real Estate, Saudi Arabia(AIRE)	**26.39%**	26.39%	**267,831**	261,128
Landmark Properties	-	30%	-	-
			267,831	261,128

Landmark properties has been liquidated during the year ended 31 December 2014.

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

	2014 ***AED'000***	*2013* *AED'000*
Current assets	**486,559**	398,415
Non current assets	**1,813,799**	1,355,267
Current liabilities	**399,860**	365,517
Non current liabilities	**898,791**	416,488
Equity	**1,001,707**	971,677
Group's carrying amount of the investment (extrapolated)	**267,831**	261,128

14 INVESTMENTS IN ASSOCIATES (continued)

	2014 *AED'000*	*2013* *AED'000*
Revenue (extrapolated)	**176,453**	109,870
Profit for the period (extrapolated)	**79,118**	50,264
Group's share of profit for the year (extrapolated)	**22,213**	16,734

During the year, the Group received dividend of AED 15.5 million from AIRE. Financial information and results of AIRE are based on the latest available management accounts as at 31 October 2014 (2013: 31 October 2013) and extrapolated for the remaining two months to 31 December 2014.

15 OTHER ASSETS

	2014 *AED'000*	*2013* *AED'000*
Prepayments	**4,152**	2,484
Receivable from brokerage activities (note 15.1)	**23,512**	24,475
Land registration and service fees	**17,952**	11,926
Advances	**2,413**	7,256
Receivable from developers	**13,331**	6,350
Profit receivable	**659**	5,291
Due from related parties (note 29)	**899**	763
Others	**5,630**	4,380
	68,548	62,925

15.1 This balance is stated net of provision for doubtful debt and is past due by more than 12 months on the reporting date. Management is confident of a full recovery of the net balance.

16 FURNITURE, FIXTURES AND OFFICE EQUIPMENT

	2014 *AED'000*	*2013* *AED'000*
Furniture, fixtures and office equipment (note 16.1)	**6,765**	5,471
Capital work in progress (note 16.2)	**7,159**	5,726
	13,924	11,197

16 FURNITURE, FIXTURES AND OFFICE EQUIPMENT (continued)

16.1 Furniture, fixture and office equipment are as follows:

2014:	***Furniture and fixtures AED'000***	***Computers and office equipment AED'000***	***Total AED'000***
Cost:			
At 1 January 2014	21,079	31,210	52,289
Additions during the year	117	4,508	4,625
Disposals during the year	(864)	(4,915)	(5,779)
At 31 December 2014	**20,332**	**30,803**	**51,135**
Accumulated depreciation:			
At 1 January 2014	19,068	27,750	46,818
Depreciation charge for the year	1,158	2,156	3,314
Disposals during the year	(847)	(4,915)	(5,762)
At 31 December 2014	**19,379**	**24,991**	**44,370**
Net book value:			
At 31 December 2014	**953**	**5,812**	**6,765**

2013:	*Furniture and fixtures AED'000*	*Computers and office equipment AED'000*	*Total AED'000*
Cost:			
At 1 January 2013	21,087	29,438	50,525
Additions during the year	-	2,574	2,574
Disposals during the year	(8)	(802)	(810)
At 31 December 2013	21,079	31,210	52,289
Accumulated depreciation:			
At 1 January 2013	17,704	27,132	44,836
Depreciation charge for the year	1,372	1,420	2,792
Disposals during the year	(8)	(802)	(810)
At 31 December 2013	19,068	27,750	46,818
Net book value:			
At 31 December 2013	2,011	3,460	5,471

16.2 The capital work in progress mainly represents cost incurred towards implementation of a new Core Banking System at year ended 31 December 2014 amounting to AED 7 million (2013: AED 5.7 million).

17 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING

	Profit rate	*2014 AED'000*	*2013 AED'000*
Mudaraba	1.75%	-	538,550
Murabaha	1.75% - 2%	**250,340**	420,269
Wakala	1.75% - 4%	**320,938**	7,601,983
Islamic syndication facility	1.75%	-	467,244
Others	4 %	**735,625**	1,177,000
Purchase price payable	2%	**4,849,706**	-
		6,156,609	10,205,046
Adjustment during the year (note 17.1)		**(886,318)**	-
		5,270,291	10,205,046

The payment obligations are secured under the restructuring assignments and pledges as detailed in notes 2.1, 8, 11,12 and 13.

17.1 Movement during the year

	2014 AED'000	*2013 AED'000*
Fair value gain at 25 November 2014	**911,447**	-
Unwinding of discount on initial fair value gain	**(25,129)**	-
	886,318	-

The nature of the Company's deposits was significantly changed due to the restructuring, resulting in a fixed obligation to be paid to the Other Commercial Financiers and Liquidity Support Providers. The face value of the restructured fixed obligations at year end is AED 6,157 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 has been 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 adjustment which has been recorded as a gain 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 unwinding for the period 26 November 2014 to 31 December 2014 of AED 12 million has been offset against the gain on the restructuring on initial recognition.
Under the terms of the Common Terms Agreement, 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 an early repayment of obligation to financiers of AED 944 million representing an advance payment of 22 future monthly scheduled instalments. Consequently, the next repayment of deposit capital is due in October 2016, unless further advance repayments arise under the cash sweep mechanism.

The gain on fair value of the deposits of AED 911 million has been further offset by a charge of AED 13 million being the reversal of the fair value gain adjustment related to instalments paid early through the December 2014 cash sweep.

All the directly attributable costs incurred to complete the restructuring are charged to the income statement under operating expenses.

18 TERM ISLAMIC FINANCING

	2014 *AED'000*	*2013* *AED'000*
Istisna – Forward Ijarah financing by subsidiary (note A)	**38,558**	38,558
Emirates NBD term financing (note B)	**-**	45,092
Egyptian Mortgage Refinance Company (note C)	**12,377**	-
	50,935	83,650

A) Istisna– Forward Ijarah financing by subsidiary

During 2008, the Group entered into an Istisna – Forward Ijarah arrangement with an Islamic bank to finance the purchase of office condominium units in a property which is currently being constructed. The total amount under the facility is AED 53.29 million of which total payments made towards the construction cost by the Islamic bank as of 31 December 2014 are AED 30.04 million (2013: AED 30.04 million).

Subsequent to completion and delivery, it will eventually be converted into an Ijarah facility upon the handover of the office condominium units to the Group. The Group is currently under discussion with the Islamic Bank to amend the ultimate terms of the contract.

Under the Ijarah, variable rental shall be paid by the Group calculated at a rate of 3 months EIBOR + 2.5% per annum (minimum 6.5% per annum) and is payable in quarterly rental instalments over 6 years after the handover of the completed property. Upon completion of lease term the property may be sold / transferred to the Group.

This facility is secured among others by: (a) a tripartite mortgage agreement among the developer of the property, the bank and the subsidiary; (b) assignment of insurance over financed property; and (c) assignment of future rental income from the financed property.

B) Emirates NBD term financing

During the year, AED 45 million of term financing was converted into investment deposit at a profit rate of 2% per annum. All the terms and conditions of the revised agreement are in line with other commercial financiers (note 17).

C) Egyptian Mortgage Refinance Company (EMRC)

During the year, EMRC issued a long term facility to the Group's subsidiary in Egypt for an amount of Egyptian Pounds 25 million to finance subsidiary's activities. This facility carries a profit rate of 11.5% per annum payable on a monthly basis over a period of 85 months.

19 EMPLOYEES' END OF SERVICE BENEFITS

	2014 *AED'000*	*2013* *AED'000*
At 1 January	**5,150**	4,436
Provided during the year	**1,468**	1,493
Paid during the year	**(533)**	(779)
At 31 December	**6,085**	5,150

20 OTHER LIABILITIES

	2014 *AED'000*	*2013* *AED'000*
Provisions and accruals	**48,423**	45,358
Unearned rental income	**10,718**	8,285
Dividend payable	**6,641**	7,843
Anticipated profits payable on investment deposits and other Islamic financing	**4,801**	43,876
Litigation claims payable	**15,425**	-
Brokerage payable	**2,344**	5,543
Other payables	**39,896**	27,172
Zakat payable	**6,316**	6
	134,564	138,083

21 SHARE CAPITAL

	2014 *AED'000*	*2013* *AED'000*
Authorised, Issued and fully paid		
1,500,000,000 shares of AED 1 each (31 December 2013: 1,500,000,000 ordinary shares of AED 1 each)	**1,500,000**	1,500,000

Mudaraba Instrument
The Group has issued a Mudaraba Instrument which is convertible to ordinary shares (notes 2.1 and 26) on completion of certain conditions.

22 EMPLOYEE STOCK OPTION PLAN SHARES

During 2008, the Group purchased 25 million of its shares, equivalent to 1.67% of the issued shares. These shares are recorded in the statement of financial position at cost as employee stock option plan shares within equity, as the Group is planning to introduce such a plan.

23 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the Company's profit for the year is to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. During the year, the Company transferred Nil (2013: AED 25.79 million) to statutory reserves.

24 GENERAL RESERVE

As required by the Company's Articles of Association, 10% of the profit for the year is to be transferred to general reserve. As per the Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors. During the year, the Company transferred Nil (2013: AED 25.79 million) to general reserves.

25 SPECIAL RESERVE

The special reserve, which has been created in accordance with the recommendations of the UAE Central Bank, is not available for distribution. During the year, the Company transferred Nil (2013 : AED Nil) to special reserve.

26 MUDARABA INSTRUMENT

	2014 *AED'000*	*2013* *AED'000*
Mudaraba Instrument	**1,300,000**	-
Fair value adjustment	**(1,026,867)**	-
	273,133	-

As explained in note 2.1 on 25 November 2014, a Mudaraba Instrument of AED 1,300 million with a maturity in November 2026 was issued through a special purpose vehicle owned by the Group. On maturity Mudaraba Instrument to the extent it is not redeemed will mandatorily convert into upto 1,956 million ordinary shares of the Company with face value of AED 1 each.

The Mudaraba Instrument comprises:

1. Face Value of AED 1,300 million
2. PIK of 1% (note 2.1)
3. A contingent issuance of upto 500 million shares applicable only if the Mudaraba Instrument remains outstanding at maturity. The number of contingent shares to be issued is prorated with the amount of Mudaraba Instrument remaining outstanding.

Mudaraba Instrument includes a clause giving effect to a potential increase in expected profit on the Mudaraba Instrument. The amount will be calculated as an increase in the applicable profit rate from 2% to 8% on outstanding payable to the commercial financiers (note 17). The aforementioned will be applicable in the event the group elects not to redeem the appropriate amount of Mudaraba Instrument immediately after the sale of qualifying investment properties.

At the Company's discretion, realised gains on the sale of qualifying investment properties (note 12), advance for Investment properties (note 11) and properties under development (note 13) will be used to redeem the Mudaraba Instrument along with the relevant payable amount of PIK. As the Mudaraba Instrument is redeemed, there will be a proportionate reduction in the contingent share issuance due. In the event that a sale on a qualifying investment property is completed, but there is no corresponding redemption of Mudaraba Instrument, the expected profit will be subject to change as explained above. The qualifying investment property has an aggregate carrying value of AED 1,722 million as at 31 December 2014, for which the aggregate trigger fair value for qualifying property disposal is AED 3,218 million.

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

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

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

27 MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Accumulated balances of material non-controlling interest:

	Note	*2014 AED'000*	*2013 AED'000*
Amlak Sky Gardens LLC	27.1	**153,529**	297,094
EFS Financial Services LLC		**(13,206)**	(12,455)
		140,323	284,639

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

	Note	*2014 AED'000*	*2013 AED'000*
Amlak Sky Gardens LLC	27.1	**(143,565)**	3,927
EFS Financial Services LLC		**(751)**	(4,616)
		(144,316)	(689)

27.1 The Group holds 100% share capital of Amlak Sky Gardens LLC. The Group uses Amlak Sky Gardens LLC as a special purpose entity, to hold in association with another party certain units in a building known as the Sky Gardens Project ("the Project"). The Group's share is 67% under the terms of the Project agreement with the counterparty and the Project earnings are to be split in the ratio of the 67% to the Group and 33% to the other party. The funding has been classified as equity within Amlak Sky Gardens LLC and hence gives rise to a non-controlling interest at Group level.

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

Summarized statement of income
2014:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Revenue	**19,101**	**364**
General and administrative expenses	**(5,379)**	**(1,284)**
Distribution to financiers / Investors	**-**	**(848)**
Fair value loss on investment property	**(448,768)**	**-**
Total comprehensive income for the year	**(435,046)**	**(1,768)**
Attributable to non-controlling interests	**(143,565)**	**(751)**

27 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarized statement of income (continued)
2013:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Revenue	17,138	219
General and administrative expenses	(5,237)	(1,503)
Allowance for impairment	-	(8,582)
Distribution to financiers / Investors	-	(994)
Total comprehensive income for the year	11,901	(10,860)
Attributable to non-controlling interests	3,927	(4,616)

Summarized statement of financial position
2014:

	Amlak Sky Gardens LLC AED'000	***EFS Financial Services LLC AED'000***
Cash and bank balances	**39,795**	**309**
Investment properties	**387,980**	**-**
Advances for investment properties	**-**	**30,037**
Other assets	**26**	**24,401**
Term Islamic financing	**-**	**(38,559)**
Due to related party	**-**	**(46,914)**
Other liabilities	**(9,283)**	**(347)**
Total equity	**418,518**	**(31,073)**
Attributable to:		
Equity holders of the parent	**264,989**	**(17,867)**
Non-controlling interests	**153,529**	**(13,206)**
	418,518	**(31,073)**

2013:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Cash and bank balances	32,227	334
Investment properties	836,751	-
Advances for investment properties	-	30,037
Other assets	20	24,916
Term Islamic financing	-	(83,650)
Other liabilities	(11,136)	(942)
Total equity	857,862	(29,305)
Attributable to:		
Equity holders of the parent	560,768	(16,850)
Non-controlling interests	297,094	(12,455)
	857,862	(29,305)

27 MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarized statement of cash flows

2014:

	Amlak Sky Gardens LLC AED'000	***EFS Financial Services LLC AED'000***
Operating	**11,865**	**(75)**
Investing	**-**	**88**
Financing	**(4,297)**	**-**
Net increase in cash and cash equivalents	**7,568**	**13**

2013:

	Amlak Sky Gardens LLC AED'000	*EFS Financial Services LLC AED'000*
Operating	10,586	(1,785)
Investing	-	3
Financing	(9,108)	-
Net increase / (decrease) in cash and cash equivalents	1,478	(1,782)

28 SEGMENTAL INFORMATION

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

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

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

2014:

	Retail AED'000	***Real Estate Investment AED'000***	***Corporate Investment & Others AED'000***	***Total AED'000***
Operating income	**389,409**	**27,571**	**12,042**	**429,022**
Distribution to financiers/investors	**(133,886)**	**(94,492)**	**(2,323)**	**(230,701)**
Reversal / (allowances) for impairment	**2,025,033**	**(2,177,403)**	**27,594**	**(124,776)**
Expenses (including allocated expenses)	**(152,827)**	**(20,761)**	**(7,628)**	**(181,216)**
Share of results of associates	**-**	**-**	**22,213**	**22,213**
Segment results	**2,127,729**	**(2,265,085)**	**51,898**	**(85,458)**
Non-controlling interests				**144,316**
				58,858

28 SEGMENTAL INFORMATION (continued)

2013:

	Retail	*Real Estate Investment*	*Corporate Investment & Others*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Operating income	476,528	(143,037)	11,536	345,027
Distribution to financiers/Investors	(120,509)	(92,346)	(2,905)	(215,760)
Allowances for impairment	47,065	1,778	(15,125)	33,718
Expenses (including allocated expenses)	(114,226)	(10,297)	(7,651)	(132,174)
Share of results of associates	-	-	16,734	16,734
Segment results	288,858	(243,902)	2,589	47,545
Share of non-controlling interests				689
				48,234

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

2014:

	Retail	***Real estate investment***	***Corporate investment & others***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
Segment assets	**4,893,962**	**1,678,739**	**729,070**	**7,301,771**
Segment liabilities	**3,203,003**	**1,547,421**	**711,451**	**5,461,875**
Depreciation	**-**	**-**	**3,314**	**3,314**
Capital expenditure	**-**	**-**	**6,058**	**6,058**

2013:

	Retail	*Real estate investment*	*Corporate investment & others*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*
Segment assets	7,774,364	3,638,391	693,434	12,106,189
Segment liabilities	5,729,801	3,982,827	719,301	10,431,929
Depreciation	-	-	2,792	2,792
Capital expenditure	-	-	8,300	8,300

Corporate Investment and others includes investment property in Egypt held by "Amlak Finance and Real Estate Investment Company S.A.E" with a carrying value AED 303 million (2013: AED 281 million)

29 RELATED PARTY TRANSACTIONS

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

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

31 December 2014:

	Associated companies AED'000	***Major shareholders AED'000***	***Directors and senior management AED'000***	***Other related parties AED'000***	***Total AED'000***
Cash and bank balances	**-**	**-**	**-**	**53,342**	**53,342**
Islamic financing and investing assets	**-**	**-**	**23,554**	**18,261**	**41,815**
Available for sale investments	**-**	**-**	**-**	**15,000**	**15,000**
Investment deposits	**-**	**142,158**	**-**	**1,187,440**	**1,329,598**
Other assets (note 15)	**195**	**-**	**-**	**704**	**899**
Other liabilities	**-**	**55**	**100**	**2,375**	**2,530**

31 December 2013:

	Associated companies AED'000	*Major shareholders AED'000*	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Cash and bank balances	-	-	-	28,134	28,134
Islamic financing and investing assets	-	-	28,011	19,697	47,708
Available for sale investments	-	-	-	15,000	15,000
Investment deposits	-	238,550	-	1,947,608	2,186,158
Other assets (note 15)	60	-	-	703	763
Other liabilities	-	1,924	-	2,073	3,997

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

31 December 2014:

	Associated companies AED'000	***Major shareholders AED'000***	***Directors and senior management AED'000***	***Other related parties AED'000***	***Total AED'000***
Income from Islamic financing and investing assets	**-**	**-**	**1,655**	**2,628**	**4,283**
Distribution to financiers	**-**	**4,614**	**-**	**37,995**	**42,609**
Other income	**-**	**-**	**-**	**-**	**-**

31 December 2013:

	Associated companies AED'000	*Major shareholders AED'000*	*Directors and senior management AED'000*	*Other related parties AED'000*	*Total AED'000*
Income from Islamic financing and investing assets	-	-	1,531	1,142	2,673
Distribution to financiers	-	4,233	-	34,558	38,791
Other income	150	-	-	-	150

29 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2014 *AED'000*	*2013* *AED'000*
Salaries and other benefits	**22,625**	17,510
Employee terminal benefits	**-**	740
	22,625	18,250

30 COMMITMENTS AND CONTINGENCIES

Commitments

	Notes	*2014* *AED'000*	*2013* *AED'000*
Irrevocable commitments to advance financing	30.1	**258,967**	381,864
Commitments for investment properties	30.2	**23,251**	25,060
Commitments against capital expenditure	30.3	**1,401**	5,710
		283,619	412,634

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

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

30.3 This represents commitment towards implementation of a new core banking system.

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 5 million has been made in the consolidated financial statements.

b) At year end, the Group has a contingent liability for proposed Directors' remunerations of AED 4.74 million (31 December 2013: AED 3.24 million). Directors' remunerations are governed by UAE Federal Law No (8) of 1984, as amended (Article 118) and are subject to approval at the Annual General Meeting (AGM). Amlak has not called for an AGM since suspension of trading of the Company's shares in Dubai Financial Market.

During the current year, the Group has paid Directors' fees amounting to AED 1.16 million (2013: AED 5.13 million) under Article 7 of Ministerial Resolution No. 518 based on their attendance at meetings and for their extra efforts as members of the Board of Directors since 2009 and which are subject to ratification at the AGM.

31 RISK MANAGEMENT

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

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

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

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

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

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

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

The Credit Committee is responsible for portfolio evaluation, credit decisions, credit policy and procedure formulation, country risk and counterparty analysis, approval/review and exposure reporting, control and risk-related regulatory compliance, dealing with impaired assets and portfolio management. It is also responsible for identifying market and operational risks arising from the Group's activities, recommending to the relevant committees appropriate policies and procedures for managing exposure to such risks and establishing the systems necessary to implement effective controls.

The Credit Committee actively liaises with the Central Bank for black listed customers. Moreover, the Group has introduced a Risk Adjusted Pricing Model for financing following accredited Credit and Risk evaluation standards. The Credit Committee actively assesses the quality of the portfolio on a monthly basis using an internationally acknowledged credit scoring system.

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

The Management Committee is responsible for name clearance and review of all investment related deals from an operational, fiduciary and reputation risk perspective, in line with the risk/reward guidelines approved by the Board. The Management Committee is also responsible to ensure compliance with directives issued by the Sharia Board including changes in financing contracts, product parameters etc.

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

31 RISK MANAGEMENT (continued)

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

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

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

The Group's risk is mainly related to the property market in the UAE, in particular in Dubai.

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

Credit risk
Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk stems mainly from day to day Islamic financing activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, policies and procedures. For details of composition of Islamic financing assets refer note 9.

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

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

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

QUANTITATIVE INFORMATION

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure 2014 AED'000	*Gross maximum exposure 2013 AED'000*
Balances with banks (note 8)	**497,676**	1,388,691
Islamic financing and investing assets (note 9)	**4,264,502**	6,271,544
Advances for investment properties (note 11)	**312,036**	740,383
Other assets (excluding prepayment) (note 15)	**64,396**	60,441
Total credit risk exposure	**5,138,610**	8,461,059

31 RISK MANAGEMENT (continued)

Credit risk (continued)

QUANTITATIVE INFORMATION (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)
Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

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

31 RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2014	*Carrying amount*	*Neither impaired nor past due on reporting date*			*Past due but not impaired on reporting date*				*Individually impaired on reporting date*		
		Low/fair risk	*Watch list*	*Re-negotiated terms*	*<30*	*30-60*	*61-90 days*	*>90 days*	*Carrying amount*	*Allowance for impairment*	*Gross amount*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balances with banks	497,676	497,676	-	-	-	-	-	-	-	-	-
Islamic financing and investing assets	4,264,502	2,394,817	216,721	313,410	574,479	167,432	79,483	122,055	396,105	(448,935)*	845,040
Advances for investment Properties	312,036	-	282,000	-	-	-	-	-	30,036	(8,582)	38,618
Other assets (excluding prepayments)	64,396	9,225	31,282	-	-	-	-	-	23,889	(54,034)	77,923
	5,138,610	2,901,718	530,003	313,410	574,479	167,432	79,483	122,055	450,030	(511,551)	961,581

* In addition to the specific provision as above, the Group has also made a collective provision of AED 180.42 million (2013: AED 238.93 million) on Islamic financing and investing assets and provision for on hold projects amounting to AED 148.12 million (2013: AED 156.46 million)

31 RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2013

	Carrying amount	*Neither impaired nor past due on reporting date*			*Past due but not impaired on reporting date*				*Individually impaired on reporting date*		
		Low/fair risk	*Watch list*	*Re-negotiated terms*	*<30*	*30-60*	*61-90 days*	*>90 days*	*Carrying amount*	*Allowance for impairment*	*Gross amount*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balances with banks	1,388,691	1,388,691	-	-	-	-	-	-	-	-	-
Islamic financing and investing assets	6,271,544	3,855,934	369,884	373,117	608,691	276,877	153,763	83,273	550,005	(512,871)	1,062,876
Advances for investment properties	740,383	3,053	707,294	-	-	-	-	-	30,036	(8,582)	38,618
Other assets (excluding prepayments)	60,441	18,074	17,892	-	-	-	-	-	24,475	(53,656)	78,131
	8,461,059	5,265,752	1,095,070	373,117	608,691	276,877	153,763	83,273	604,516	(575,109)	1,179,625

31 RISK MANAGEMENT (continued)

Collateral and other credit enhancements
The finance provided by the Group is completely asset backed in accordance with the principles of Shariah. Properties are funded based on "Group's Appraised Value". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Group might have lower rates than the developers based on the Group's view of the property. In the case of older properties the appraised value is determined by the Credit Department. These valuations are based on the valuation report from independent third party valuers obtained every 6 months and the property prices witnessed in Amlak's past funding transactions.

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

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

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

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

		2014		*2013*	
	% Change in currency rate in AED	*Effect on profit AED '000*	*Effect on Equity AED'000*	*Effect on Profit AED '000*	*Effect on Equity AED '000*
Currency					
Egyptian Pound (LEY)	**± 5%**	**-**	**±16,888**	-	±17,404

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

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

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

The sensitivity of the statement of income is the effect of the assumed changes in profit rates on the results for one year, based on profit bearing financial assets and financial liabilities held at 31 December 2014.

	2014 ***AED '000***	*2013* *AED '000*
Effect of a ± 50 bps change in EIBOR/LIBOR	**∓ 12,652**	∓ 17,536
Effect of a ± 100 bps change in EIBOR	**∓ 25,304**	∓ 35,072

31 RISK MANAGEMENT (continued)

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

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

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

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

31 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2014

	Expected Profit rate %	*Up to 1 year* Less than 3 months AED'000	*Up to 1 year* 3 months to 6 months AED'000	*Up to 1 year* 6 months to 1 year AED'000	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Investment deposits and other Islamic financing	1.75% - 4%	35,515	36,867	73,334	145,716	2,804,010	4,104,128	-	7,053,854
Term Islamic financing	6.5% - 11.5%	808	799	1,565	3,172	51,229	1,472	-	55,873
		36,323	37,666	74,899	148,888	2,855,239	4,105,600	-	7,109,727
OFF BALANCE SHEET ITEMS									
Commitments		258,967	-	-	258,967	23,251	-	-	282,218

At 31 December 2013

	Expected Profit rate %	*Up to 1 year* Less than 3 months AED'000	*Up to 1 year* 3 months to 6 months AED'000	*Up to 1 year* 6 months to 1 year AED'000	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Investment deposits and other Islamic financing	1.75% - 4%	9,074,204	1,200,802	-	10,275,006	-	-	-	10,275,006
Term Islamic financing	2.5% - 6.5%	8,012	2,166	35,870	46,048	38,558	-	-	84,606
		9,082,216	1,202,968	35,870	10,321,054	38,558	-	-	10,359,612
OFF BALANCE SHEET ITEMS									
Commitments		383,673	-	5,710	389,383	23,251	-	-	412,634

31 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and off balance sheet items analysed according to when they are expected to be recovered, settled or sold. The values presented in this table include the impact of fair value adjustment as per the statement of financial position and excludes profit not yet due at year end. 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 as explained in note 17.

At 31 December 2014	*Up to 1 year*							
	Less than 3 months AED'000	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Assets								
Cash and deposits with banks	281,854	10,242	-	292,096	170,640	-	35,000	497,736
Islamic financing and investing assets	211,062	101,232	211,320	523,614	1,439,273	2,301,615	-	4,264,502
Available-for-sale investments	-	-	-	-	-	-	23,945	23,945
Advance for Investment Properties	-	-	-	-	30,036	-	282,000	312,036
Investment Properties	-	-	-	-	302,828	1,187,140	-	1,489,968
Properties under Development	-	-	-	-	363,281	-	-	363,281
Investments in associates	-	-	-	-	-	-	267,831	267,831
Other assets	13,806	27,140	27,602	68,548	-	-	-	68,548
Furniture, fixture and equipment	-	-	-	-	-	-	13,924	13,924
Total assets	506,722	138,614	238,922	884,258	2,306,058	3,488,755	622,700	7,301,771
Liabilities								
Investment deposits and other Islamic financing	-	-	-	-	2,371,154	2,899,137	-	5,270,291
Term Islamic financing	457	457	915	1,829	47,705	1,401	-	50,935
Employees' end of service benefits	-	-	-	-	-	-	6,085	6,085
Other liabilities	102,229	6,263	7,918	116,410	-	-	18,154	134,564
Total liabilities	102,686	6,720	8,833	118,239	2,418,859	2,900,538	24,239	5,461,875
Commitments	258,967	-	-	258,967	23,251	-	-	282,218
Net liquidity gap	145,069	131,894	230,089	507,052	(136,052)	588,217	598,461	1,557,678

31 RISK MANAGEMENT (continued)

Liquidity risk (continued)
The liquidity risk table above

Maturity analysis of assets and liabilities (continued)

At 31 December 2013	*Up to 1 year*							
	Less than 3 months AED'000	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Assets								
Cash and deposits with banks	1,353,740	-	-	1,353,740	-	-	35,000	1,388,740
Islamic financing and investing assets	502,011	204,816	600,026	1,306,853	1,855,706	3,108,985	-	6,271,544
Available-for-sale investments	-	-	-	-	-	-	28,479	28,479
Advance for Investment Properties	-	-	-	-	-	-	740,383	740,383
Investment Properties	-	-	-	-	-	-	3,341,793	3,341,793
Investments in associates	-	-	-	-	-	-	261,128	261,128
Other assets	27,198	6,942	28,785	62,925	-	-	-	62,925
Furniture, fixture and equipment	-	-	-	-	-	-	11,197	11,197
Total assets	1,882,949	211,758	628,811	2,723,518	1,855,706	3,108,985	4,417,980	12,106,189
Liabilities								
Investment deposits and other Islamic financing	9,028,046	1,177,000	-	10,205,046	-	-	-	10,205,046
Term Islamic financing	7,730	1,932	35,430	45,092	38,558	-	-	83,650
Employees' end of service benefits	-	-	-	-	-	-	5,150	5,150
Other liabilities	126,625	3,400	8,058	138,083	-	-	-	138,083
Total liabilities	9,162,401	1,182,332	43,488	10,388,221	38,558	-	5,150	10,431,929
Commitments	383,673	-	5,710	389,383	23,251	-	-	412,634
Net liquidity gap	(7,663,125)	(970,574)	579,613	(8,054,086)	1,793,897	3,108,985	4,412,830	1,261,626

31 RISK MANAGEMENT (continued)

Liquidity risk (continued)
As discussed in note 2 to the consolidated financial statements, post financial restructuring the Group has significantly reduced its liquidity risk. The Group will be able to continue to meet its commitments for the foreseeable future without any significant liquidity mismatch.

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

Capital Management
The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. The restructuring effected at 25 November 2014 represented a significant change in the capital structure of the Group. Capital comprises share capital, employee stock option plan shares, statutory reserve, general reserve, special reserve, cumulative changes in fair value, foreign currency translation reserve, Mudaraba Instrument, Mudaraba Instrument reserve and accumulated losses and is measured at AED 1,700 million as at 31 December 2014 (2013: AED 1,390 million).

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