



**Report of the Fatwa and Sharia Supervisory Board (FSSB) on the
Company's Business for 2009
Submitted to the shareholders of Amlak Finance PJSC**

First: Corporate Activities:

The FSSB oversaw the 2009 corporate and transactions and effectively directed various departments to comply with tenets of Islamic Sharia and respective fatwas (rulings). To achieve this, the FSSB held several meetings with corporate executives during the year.

Second:

In cooperation with the FSSB, the Company embarked on a new scheme to train its personnel with new Sharia-compliant contracts and modus operandi.

Third:

- 1- The FSSB reviewed the corporate ledgers, files and documents with a view to obtaining the data and information deemed necessary for performing the Sharia-compliance review and audit.
- 2- The FSSB examined the transactions presented to it over the year, approved relevant contracts and documents, responded to the enquiries raised thereof, and issued appropriate decisions and rulings, which were subsequently forwarded to relevant department heads for execution.

Fourth:

In response to the FSSB request, the Company has appointed a Sharia Auditor who eventually submitted his audit report about corporate activities to FSSB. Based on the report, the FSSB made recommendations to various corporate departments on the execution of certain transactions and the management has accepted to act accordingly.

Fifth: Financial Statements:

- 1- FSSB has reviewed the Company's P&L Statement, Balance Sheet, Income Statement and accounting policies applied for the preparation of Financial Statements for the year 2009 and concluded that the financial records are in agreement with the data submitted by the Company's management.



Accordingly, the FSSB concludes that such policies and principles are not to prejudice the tenets of Islamic Sharia.

The Company has disclosed the value of Ijarah Assets, which have been sold and transferred to Sukuk holders under its Ijarah portfolio, and the respective Sukuk is disclosed under liabilities. According to the Company's management, this disclosure is required under the provisions of International Financial Reporting Standards; which is mandatory as per the UAE Central Bank for all financial institutions. As per the Sharia Standardization Council's decision, these Ijarah assets and the associated liabilities should not be included in the Balance Sheet.

However this non-compliance is only related to the difference in the presentation, while the substance of these transactions is Sharia compliant.

2- Pursuant to the Company's Article of Association No. 62, the FSSB has renewed the Zakat calculation on behalf of the Shareholders in accordance with the Sharia principles. The Zakat on company's share capital is the shareholder's responsibility, therefore, the FSSB has calculated per share accrued Zakat and the shareholders will be notified accordingly.

Based on the review of the transactions and the remarks and responses received by the management, the FSSB hereby states that the corporate transactions followed Sharia-compliance *modus operandi* and contracts and FSSB rulings and recommendations. In conclusion, the company has complied in whole with the tenets of the Islamic Sharia from the data of transaction to the year ended 2009.

FSSB Members

Professor Hussein Hamed Hassan
Sheikh Mohammed Abdel Razaq al-Siddiq
Dr. Mohammad Abdel Hakeem Zo'eir

Chairman
Member
Member & Secretary

**Amlak Finance PJSC
and its Subsidiaries**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC

Report on the Financial Statements

We have audited the accompanying 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 2009 and the consolidated income statement, 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 explanatory notes.

Board of Directors' Responsibility for the 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). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except as discussed in the qualification paragraph, 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the 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 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 directors, as well as evaluating the overall presentation of the financial statements.

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

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

Qualification

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 date of the statement of financial position. At 31 December 2009, the Group's consolidated financial statements include investment properties and advances for investment properties amounting to AED 3,086,261 thousand and AED 781,460 thousand respectively. Management believe that property prices have generally declined since these assets were acquired but are unable to quantify the amount of decline in view of the limited number of transactions currently taking place in the market. Accordingly, the Group has continued to carry such assets as of 31 December 2009 at their acquisition cost.

Qualified opinion

In our opinion, except for the effects of such adjustments to the consolidated financial statements that might have been determined to be necessary had it been possible to quantify the amount of decline in the fair value of investment properties and advances for investment properties, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters:

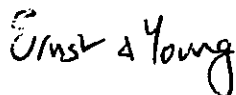
Without further qualifying our opinion, we draw your attention to the following:

1. As discussed in note 1 to the consolidated financial statements, trading in the Company's shares on the Dubai Financial Market has been suspended following the announcement that the Company is in discussion with Tamweel PJSC and another entity that may lead to the establishment of a merged entity. The Board of Directors, along with the Steering Committee set up by the UAE Ministry of Finance and Industry in connection with the proposed merger are evaluating various options to secure sustainable funding for the Group in order to enable it to continue to meet its commitments.
2. As discussed in note 19 to the consolidated financial statements, investment properties as at 31 December 2009 include a piece of land in Egypt purchased by one of the Group's subsidiaries amounting to AED 355 million. The subsidiary has full possession of this land following the acquisition. However, owing to a dispute between the vendor and the earlier seller of the land, the title has not been transferred in the subsidiary's name as of 31 December 2009. The subsidiary's management is actively engaged in negotiations with the seller for transfer of title to the land to its name.

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

Report on other Legal and Regulatory Requirements

We also confirm that, in our opinion, the 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); except for the matter discussed in the qualification paragraph, 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. We have obtained all the information and explanations which we required for the purpose of our audit and, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Signed by
Farrukh Seer
Partner
Registration No. 491

14 February 2010

Dubai, United Arab Emirates

Amlak Finance PJSC and its Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2009

	<i>Notes</i>	<i>2009 AED '000</i>	<i>2008 AED '000</i>
Income from financing and investing assets	5	760,587	806,145
Processing and other fees	6	25,624	105,025
Gain on investments	7	17,904	24,511
Sale of property rights held for trading	8	-	192,125
Sale of properties held for trading	8	-	52,491
Reversal of gain on cancellation of sale of property rights	9	(68,215)	-
Dividend income		4,261	5,419
Income on deposits		5,939	5,956
Other income	10	17,352	14,586
Loss on sale of investment properties	19	(1,349)	-
OPERATING INCOME		762,103	1,206,258
Impairment:			
- financing and investing assets		(225,947)	(103,622)
- available-for-sale investments		(5,363)	(34,091)
- investment in associate		(38,339)	(14,448)
- reversed (provided) on other assets		54,442	(63,442)
Operating expenses	11	(155,750)	(230,400)
Share of loss of associates	20	(6,097)	(34,499)
PROFIT BEFORE DISTRIBUTIONS TO DEPOSITORS		385,049	725,756
Distribution to depositors	12	(540,627)	(525,898)
(LOSS) / PROFIT FOR THE YEAR		(155,578)	199,858
Attributable to:			
Equity holders of the parent		(177,373)	240,245
Non controlling interests		21,795	(40,387)
		(155,578)	199,858
Earnings (loss) per share			
Attributable to equity holders of the parent			
Basic and diluted (loss)/earnings per share (AED)	13	(0.12)	0.16

The attached notes 1 to 38 form part of these consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009 AED'000	2008 AED'000
(Loss) / profit for the year	(155,578)	199,858
Other comprehensive (loss) / income		
Available for sale investments:		
Net unrealised gains / (losses) on available-for-sale investments	4,154	(28,108)
Reclassification adjustment for (gains) included in statement of income	(16,195)	(48,254)
Exchange differences on translation of foreign operations	8,183	(15,405)
Other comprehensive (loss) / income for the year	(3,858)	(91,767)
Total comprehensive (loss) / income for the year	(159,436)	108,091
Attributable to:		
Equity holders of the parent	(181,231)	148,478
Non-controlling interests	21,795	(40,387)
	(159,436)	108,091

The attached notes 1 to 38 form part of these consolidated financial statements.

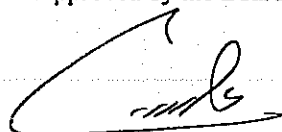
Amlak Finance PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

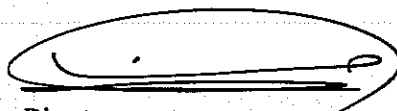
At 31 December 2009

	Notes	2009 AED'000	2008 AED'000
ASSETS			
Cash and balances with banks	14	799,056	613,388
Financing and investing assets	15	9,024,358	10,060,711
Properties held for trading	16	-	2,888,296
Property rights held for trading	16	-	1,146,754
Trading securities		394	11,067
Available-for-sale investments	17	84,346	117,639
Advances for investment properties	18	781,460	-
Investment properties	19	3,086,261	-
Investments in associates	20	238,909	413,777
Other assets	21	203,802	571,333
Furniture, fixtures and office equipment	22	18,112	23,498
TOTAL ASSETS		14,236,698	15,846,463
LIABILITIES AND EQUITY			
Liabilities			
Sukuk	23	247,214	499,247
Investment deposits	24	11,108,707	11,445,043
Payable for investment properties		160,631	1,019,726
Short term financing	14	114,633	34,036
Other long term financing	25	120,645	177,508
Zakat payable		9,118	17,399
Employees' end of service benefits	26	3,707	3,623
Other liabilities	27	344,488	589,418
Total liabilities		12,109,143	13,786,000
Equity			
Equity attributable to equity holders of the parent			
Share capital	28	1,500,000	1,500,000
Employee share scheme	29	(93,048)	(93,048)
Statutory reserve	30	88,675	88,675
General reserve	31	88,675	88,675
Special reserve	32	99,265	99,265
Cumulative changes in fair value		(9,725)	2,316
Foreign currency translation reserve	33	(6,398)	(14,581)
Retained earnings		173,483	359,974
		1,840,927	2,031,276
Non controlling interests		286,628	29,187
Total equity		2,127,555	2,060,463
TOTAL LIABILITIES AND EQUITY		14,236,698	15,846,463

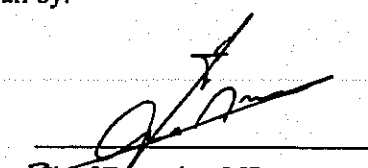
Approved by the Board of Directors on 14/02/2010 and signed on its behalf by:



Vice Chairman



Director



Chief Executive Officer

The attached notes 1 to 38 form part of these consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Note	2009 AED'000	2008 AED'000
OPERATING ACTIVITIES			
(Loss) profit for the year		(155,578)	199,858
Adjustments for:			
Depreciation		10,979	8,721
Share of loss of associates		6,097	34,499
Impairment of available-for-investments		5,363	34,091
Discount on fair value of long term receivables		28,341	-
Impairment of financing and investing assets		225,947	103,622
Impairment of investment in associate		38,339	14,448
Loss on sale of investment properties		1,349	-
Profit on sale of properties held for trading		-	(52,491)
Gain on sale of available-for-sale investments		(16,195)	(49,205)
Profit on sale of trading securities		(1,709)	1,143
Fair value of trading securities		-	22,403
Reversal of liabilities no longer payable		(47,631)	-
Reversal of gain on cancellation of sale of property rights		68,215	-
Reversal of impairment on other assets		(54,442)	-
Profit on sale of furniture, fixtures and office equipment		(1,029)	(21)
Gain on sale of subsidiary		-	(11,784)
Provision for employees' end of service benefits		1,298	2,174
Dividend income		(4,261)	(5,419)
		<u>105,083</u>	<u>302,039</u>
Working capital changes:			
Financing and investing assets		585,129	(3,936,933)
Other assets		282,960	(318,637)
Investment deposits		(419,461)	6,179,500
Other liabilities		(63,670)	455,474
Payable for properties held for trading		-	(256,943)
Payment for investment properties		(5,976)	-
		<u>484,065</u>	<u>2,424,500</u>
Employees' end of service benefits paid		(1,214)	(680)
Net cash from operating activities		<u>482,851</u>	<u>2,423,820</u>
INVESTING ACTIVITIES			
Investments in associates		-	(397,620)
Proceeds from repayment of capital in associates		130,432	-
Purchase of available-for-sale investments		-	(175,328)
Proceeds from sale of available-for-sale investments		32,084	367,490
Proceeds on sale of trading securities		12,382	4,016
Proceeds from disposal of investment properties		14,759	-
Payment for advance of investment properties		(195,479)	-
Purchase of properties held for trading		-	(2,006,982)
Proceeds on disposal of properties held for trading		-	1,201,512
Properties rights held for trading		-	(1,009,034)
Proceeds from disposal of subsidiary		-	67,784
Payment of Zakat		(17,195)	(11,749)
Purchase of furniture, fixtures and office equipment		(6,573)	(10,603)
Proceeds from disposal of furniture, fixtures and office equipment		1,805	-
Dividend paid		-	(141,623)
Dividend income received		4,261	5,419
Net cash used in investing activities		<u>(23,524)</u>	<u>(2,106,718)</u>
FINANCING ACTIVITIES			
Payment of Sukuk		(252,033)	(244,838)
Long term financing		(56,863)	119,698
Payment to non-controlling shareholders		(44,550)	-
Shares purchased for employees' share scheme		-	(93,048)
Net cash used in financing activities		<u>(353,446)</u>	<u>(218,188)</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
Foreign exchange translation reserve	9	105,881	98,914
Cash and cash equivalents at the beginning of the year		(810)	(15,405)
		<u>544,352</u>	<u>460,843</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	14	<u>649,423</u>	<u>544,352</u>

The attached notes 1 to 38 form part of these consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2009

Attributable to the shareholders of the parent company

	Share capital AED '000	Employee share scheme 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	Retained earnings AED '000	Total AED '000	Non-controlling interest AED '000	Total AED '000
At 1 January 2009	1,500,000	(93,048)	88,675	88,675	99,265	2,316	(14,581)	359,974	2,031,276	29,187	2,060,463
(Loss)/profit for the year	-	-	-	-	-	-	-	(177,373)	(177,373)	21,795	(155,578)
Other comprehensive (loss)/income	-	-	-	-	-	(12,041)	8,183	-	(3,858)	-	(3,858)
Total comprehensive (loss)/income	-	-	-	-	-	(12,041)	8,183	(177,373)	(181,231)	21,795	(159,436)
Zakat	-	-	-	-	-	-	-	(9,118)	(9,118)	-	(9,118)
Non controlling interest arising on business combination (note 4)	-	-	-	-	-	-	-	-	-	-	-
Payment to non controlling interest	-	-	-	-	-	-	-	-	-	280,196 (44,550)	280,196 (44,550)
At 31 December 2009	1,500,000	(93,048)	88,675	88,675	99,265	(9,725)	(6,398)	173,483	1,840,927	286,628	2,127,555

The attached notes 1 to 38 form part of these consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2009

Attributable to the shareholders of the parent company

	Share capital AED '000	Employee share scheme 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	Retained earnings AED '000	Proposed dividend AED '000	Total AED '000	Non-controlling interest AED '000	Total AED '000
At 1 January 2008	1,500,000	-	60,105	60,105	62,274	78,678	824	231,683	150,000	2,143,669	-	2,143,669
Profit for the year	-	-	-	-	-	-	-	240,245	-	240,245	(40,387)	199,858
Other comprehensive loss	-	-	-	-	-	(76,362)	(15,405)	-	-	(91,767)	-	(91,767)
Total comprehensive (loss)/income	-	-	-	-	-	(76,362)	(15,405)	240,245	-	148,478	(40,387)	108,091
Dividend paid	-	-	-	-	-	-	-	-	(150,000)	(150,000)	-	(150,000)
Transfer to statutory reserve	-	-	28,570	-	-	-	-	(28,570)	-	-	-	-
Transfer to general reserve	-	-	-	28,570	-	-	-	(28,570)	-	-	-	-
Transfer to special reserve	-	-	-	-	36,991	-	-	(36,991)	-	-	-	-
Purchase of shares for employees	-	(93,048)	-	-	-	-	-	-	-	(93,048)	-	(93,048)
Non controlling interest movement	-	-	-	-	-	-	-	(1,818)	-	(1,818)	69,574	67,756
Zakat	-	-	-	-	-	-	-	(14,355)	-	(14,355)	-	(14,355)
Board of Directors' fees	-	-	-	-	-	-	-	(1,650)	-	(1,650)	-	(1,650)
At 31 December 2008	1,500,000	(93,048)	88,675	88,675	99,265	2,316	(14,581)	359,974	-	2,031,276	29,187	2,060,463

The attached notes 1 to 38 form part of these consolidated financial statements.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

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 such as Ijarah, Murabaha, Mudaraba and Musharaka. The activities of the Company and its subsidiaries (together 'the Group') are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. In 2007, the Company obtained a license from the Real Estate Regulatory Authority, Dubai to start Escrow Management Service operations.

The Company's shares are listed on Dubai Financial Markets. Trading in the Company's shares on the Dubai Financial Market was suspended during November 2008 following the announcement that the Company is in discussion with Tamweel PJSC and another entity that may lead to the establishment of a merged entity. The Board of Directors, along with the Steering Committee set up by the Ministry of Finance in connection with the proposed merger are evaluating various options to secure sustainable funding for the Group in order to enable it to continue to meet its commitments.

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

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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 the Group and its subsidiaries as at 31 December 2009.

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. 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.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

2 ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

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.

The principal activities of the subsidiaries are the same as those of the parent company. The extent of the Company's shareholding in the subsidiaries is as follows:

<i>Company</i>	<i>Basis for consolidation</i>	<i>Country of Incorporation</i>	<i>Percentage Shareholding</i>	
			<i>2009</i>	<i>2008</i>
Amlak Finance & Real Estate Investment (S.A.E.)	Subsidiary	Egypt	100%	100%
Amlak Property Services LLC	Subsidiary	UAE	100%	100%
Emaar Financial Services LLC	Subsidiary	UAE	57.50%	57.50%
Amlak Sky Gardens LLC	Subsidiary	UAE	100%	100%
Amlak Holding FZCo	Subsidiary	UAE	100%	100%
Park Investment LLC ('Park')	SPV	UAE	100%	100%
Tasabeeh Investment LLC ('Tasabeeh')	SPV	UAE	100%	100%
Waraqaa Heights LLC ('Waraqaa')	Subsidiary	UAE	100%	100%
Amlak Capital LLC	Subsidiary	UAE	100%	-
Amlak Properties Investment LLC	Subsidiary	UAE	100%	-
Amlak Limited	Subsidiary	UAE	100%	-

Park and Tasabeeh are Special Purpose Vehicles (SPVs) set up by the Company for trading of shares in the local market on behalf of the Company. These entities are registered in the name of a director and a former director of the Company who have confirmed that they are holding the ownership of these entities in trust for and on behalf of the Company.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the new and amended IFRS and IFRIC interpretations effective as of 1 January 2009. Where the adoption of the standard or interpretation is expected to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to assets used for liquidity management. The fair value measurement disclosures are presented in note 17. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 37.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 34, including the related comparative information.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.3 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

Use of estimates:

The preparation of the financial statements requires management to use its judgements 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.

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 estimations. 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.

Judgments

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 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 income statement 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 income statement. All other investments are classified as available for sale.

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS (continued)

Judgements (continued)

Investment properties

The Group has elected to adopt the fair value model for investment properties. Accordingly, investment properties are carried at fair value with the gain or losses arising from changes in fair values of investment properties included in the consolidated statement of income.

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 whereby the Group (seller) undertakes to construct, for the customer (buyer), a specific 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 Group alone and the whole or part of the construction can be undertaken by third parties under the Group's control and responsibility. Under an Istisna'a contract the Group could be the seller or the buyer.

Ijarah

An agreement whereby the Group (lessor) purchases or leases an asset according to the customer's request (lessee), based on his promise to lease the asset, then leases the asset to the customer for a specific period and against certain rental payments. The duration of the lease, as well as the basis for rental payments, are set and agreed in advance. The Group retains legal ownership of the asset throughout the arrangement. Ijarah could end by transferring the ownership of the asset to the lessee.

Murabaha

Murabaha is an agreement whereby the Group sells to a customer an asset which the Group has purchased based on a promise received from the customer to buy the asset purchased according to specific terms and conditions. The selling price comprises the cost of the asset and an agreed profit margin.

Mudaraba

An agreement between the Group and a third party whereby one party would provide a certain amount of funds (Rab Al Mal), which the other party (Mudarib) would then invest in a specific enterprise or activity against a specific share in the profit. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba.

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 essence of Sharia'a in its activities, as interpreted by its Fatwa and Sharia'a Supervisory Board.

Wakala

An agreement whereby the Group provides a certain sum of money to an agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

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

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

Ijarah

Ijarah income is 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 and property rights held for trading.

Profit on sale of properties and property rights held for trading 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 amount ultimately receivable and current cash sales price recognised on an effective yield 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 the management and past history of income on similar deposits.

Allocation of profit

Allocation of profit between the depositors 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.

Financing and investing assets

Financing and investing assets include outstanding Ijarah fixed rentals and murabaha sales receivables net of deferred profits. These assets are stated at cost net of provisions for impairment, if any.

Properties held for trading

Properties held for trading are valued at the lower of cost and net realisable value. Cost comprises all costs of purchase and other directly attributable costs incurred in bringing each property to its location and condition. Net realisable value signifies the estimated selling price in the ordinary course of the business less estimated costs necessary to be incurred on disposal.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property rights held for trading

The Group enters into Sharia compliant purchase contracts (Istisna'a) for the purchase of land or buildings. Such contracts are classified as property rights and are carried in the balance sheet at the lower of amounts paid for the purchase and recoverable value.

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. 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 open market values based on valuations performed by independent surveyors and consultant.

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 is included in the statement of income for the year.

Investments in associates

The Group's investments in associates are accounted for under the equity method of accounting. These are entities over which the Group exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each balance date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying amount and recognises the amount in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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
Motor vehicles	4 years

Assets under development are not depreciated.

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 that is accounted for separately 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 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 bye-laws set by the Board.

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 an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

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 income statement on a straight-line basis over the lease term.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income statement 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.

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

The Group recognises financial assets, including financing and investing assets, or financial liabilities only when the Group becomes a party to the contractual provisions of a financial instrument. On initial recognition, the financial assets and financial liabilities are measured at fair value plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial measurement, the financial assets are measured at fair value except for finance and receivables which are measured at amortised cost less any provision for impairment. Financial liabilities, after initial recognition, are measured at amortised cost.

Derecognition of financial assets and financial liabilities

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

- (a) the right to receive cash flows from the asset have expired; or
- (b) 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
- (c) either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques used, includes, determining present value of future cash flows, comparison to similar instruments for which market observable prices exist, credit models and other relevant models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. The fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices, to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet 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 income statement. 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 income statement;
- (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.

Offsetting

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

Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the value dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into United Arab Emirates Dirhams at middle market rates of exchange ruling at the balance sheet date. Any resultant gains and losses are taken to the income statement.

Foreign currency translation

The Group's presentation and principal functional currency is UAE Dirhams.

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

Segment reporting

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

4 BUSINESS COMBINATION AND ACQUISITION OF NON CONTROLLING INTERESTS

4.1 Acquisition of Emaar Financial Services LLC

The Group had a 37.50% stake in Emaar Financial Service LLC, until 30 June 2008 and consequently equity accounted for the investment. On 1 July 2008, the Group increased its holding in the share capital to 57.50%. As a result from 1 July 2008, Emaar Financial Services LLC became a subsidiary of the Group and is being consolidated from that date. The fair values of assets and liabilities acquired were assessed provisionally at the time of acquisition and were finalised during 2009 after the completion of the purchase price allocation exercise.

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4 BUSINESS COMBINATION AND ACQUISITION OF NON CONTROLLING INTERESTS (continued)

4.1 Acquisition of Emaar Financial Services LLC

The fair values of the identifiable assets and liabilities of Emaar Financial Services LLC as at the date of acquisition and corresponding carrying amounts immediately before the acquisition were:

	<i>Carrying values AED'000</i>	<i>Fair values AED'000</i>
Furniture, fixtures and equipments	2,930	2,930
Trade and other receivables	119,631	119,631
Trading securities	38,629	38,629
Other asset of subsidiary	105,600	105,600
	<u>266,790</u>	<u>266,790</u>
Trade and other payables	(106,890)	(106,890)
Cash and cash equivalents	(57,810)	(57,810)
Subsidiary's non-controlling interest	(42,732)	(42,732)
Employees' end of service benefits	(304)	(304)
	<u>59,054</u>	<u>59,054</u>
Net assets		
		<u>(25,024)</u>
		<u>34,030</u>
Cost:		
Initial investment included earlier under investment in associates		24,030
Acquisition of additional 20.00% from a non-controlling shareholder		10,000
		<u>34,030</u>
		<u>Carrying values AED'000</u>
Cash outflow on acquisition:		
Short term financing acquired with the subsidiary		(57,810)
Cash paid		(10,000)
		<u>(67,810)</u>
Net cash out flow		

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4 BUSINESS COMBINATION AND ACQUISITION OF NON CONTROLLING INTERESTS (continued)

4.2 Acquisition of Amlak Sky Gardens LLC

Amlak Sky Gardens LLC has been established as an investment vehicle with the sole objective of investing in real estate projects. The parent company used this Company as a special purpose entity to acquire apartments in a building, Sky Gardens project ("the Project") in the Dubai International Financial Centre. The parent Company owned a 34% stake in the Project. On 25 April 2009 the parent company increased its holding in the project to 67% and obtained a controlling interest. As a result the SPV has been consolidated in these financial statements from that date. The fair values of assets and liabilities acquired were finalised during 2009 based on the completion of the purchase price allocation exercise.

The fair values of the identifiable assets and liabilities of Amlak Sky Garden LLC as at the date of acquisition and corresponding carrying amounts immediately before the acquisition were:

	<i>Carrying values AED '000</i>	<i>Fair values AED '000</i>
Investment properties	865,482	865,482
Other assets	228	228
	<u>865,710</u>	<u>865,710</u>
Advances from customers	(15,834)	(15,834)
	<u>849,876</u>	<u>849,876</u>
Net assets		
Non controlling interest		(280,196)
		<u>569,680</u>
		<u>AED '000</u>
Cost:		
Initial investment included as investment in associates		289,484
Acquisition of additional 33% from non controlling shareholder		280,196
		<u>569,680</u>

The recording of assets and liabilities acquired as above was initially done at their provisional values. During the year the management has finalised the purchase price allocation exercise in accordance with IFRS 3. In view of the fact that only limited transactions in distressed situations are currently taking place in the market, management believe that it is not possible to determine the fair value of the investment property with reasonable accuracy. Accordingly, the cost at initial assessment has been considered to be the fair value of such properties.

From the date of acquisition, Amlak Sky Garden LLC has increased the loss of the Group by AED 3,392 thousand.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5 INCOME FROM FINANCING AND INVESTING ASSETS

	2009 AED'000	2008 AED'000
<i>Financing assets:</i>		
Ijarah	472,266	378,470
Forward Ijarah	223,273	189,547
Murabaha	12,406	27,919
Murabaha properties held for trading	51,621	207,669
	<u>759,566</u>	<u>803,605</u>
<i>Investing assets:</i>		
Mudaraba	1,021	2,540
	<u>760,587</u>	<u>806,145</u>

6 PROCESSING AND OTHER FEES

	2009 AED'000	2008 AED'000
Processing fees	1,018	71,353
Early settlement gains	8,132	26,301
Others	16,474	7,371
	<u>25,624</u>	<u>105,025</u>

7 GAIN ON INVESTMENTS

	2009 AED'000	2008 AED'000
Realised gain		
Gain on sale of trading securities	1,709	407
Gain on sale of available-for-sale investments	16,195	48,254
Others	-	1,785
	<u>17,904</u>	<u>50,446</u>
Fair value gains / (losses)		
Loss on trading securities	-	(25,935)
	<u>17,904</u>	<u>24,511</u>

8 PROFIT ON SALE OF PROPERTIES AND PROPERTY RIGHTS HELD FOR TRADING

During the previous year, the Group had sold property rights over three properties for certain real estate developments to a related party at a profit of AED 192 million.

During the previous year, the Group also sold properties held for trading for a total consideration of AED 277.62 million against cost of AED 225.12 million, thereby recording a gain of AED 52.49 million.

9 REVERSAL OF GAIN ON CANCELLATION OF SALE OF PROPERTY RIGHTS

During the year, the Group restructured a previously recorded sale transaction with a related party and accordingly reversed an earlier recorded gain amounting to AED 48.2 million. Further, the Group also cancelled sale transactions for certain customers and reversed a previously recorded gain of AED 20 million from such transactions.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 OTHER INCOME

	2009 AED'000	2008 AED'000
Escrow fees	4,600	1,937
Management fees	424	2,400
Commission on sale of properties	-	6,646
Rental income	2,088	-
Technical know-how fees	1,647	-
Others	8,593	3,603
	<u>17,352</u>	<u>14,586</u>

11 OPERATING EXPENSES

	2009 AED'000	2008 AED'000
Personnel expenses	70,705	81,163
Rent	35,143	16,446
Advertisement and marketing	9,138	42,729
Depreciation	10,979	8,726
Discount on fair valuation of long term receivables (note 21)	28,341	-
Reversal of liabilities no longer payable	(47,631)	-
Others	49,075	81,336
	<u>155,750</u>	<u>230,400</u>

12 DISTRIBUTION TO DEPOSITORS

The distribution of profit between the depositors, Sukuk holders and shareholders has been made in accordance with a basis ratified by the Fatwa and Sharia'a Supervisory Board.

13 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

Earnings per share is calculated by dividing (loss) / profit attributable to the equity holders of the parent for the year, net of directors' fees by weighted average number of shares outstanding during the year as follows:

	2009	2008
(Loss) / profit for the year attributable to equity holders of the parent, net of directors' fees (AED'000)	<u>(177,373)</u>	<u>240,245</u>
Weighted average number of shares	<u>1,475,000,000</u>	<u>1,491,666,667</u>
(Loss) / earnings per share (AED)	<u>(0.12)</u>	<u>0.16</u>

The weighted average number of shares has reduced due to the purchase of own shares for employee stock option plan during the year 2008.

The diluted earnings per share is the same as the basic earnings per share, since the Group has not issued any instruments which would have an impact on earnings per share when exercised.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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14 CASH AND CASH EQUIVALENTS

	2009 AED'000	2008 AED'000
Cash in hand	67	62
Current accounts	649,369	247,595
Deposits with Islamic banks	149,620	365,731
Cash and balances with banks	799,056	613,388
Less: Deposits maturing after 1 year	(35,000)	(35,000)
Less: Short term financing	(114,633)	(34,036)
Cash and cash equivalents	649,423	544,352

Fixed deposit maturing after one year represent the amount deposited with a local bank under lien to the Central Bank of UAE in accordance with Central Bank regulations. All deposits are with Islamic banks and earn a return that is determined at the end of each accounting period.

Escrow account balances of AED 161.8 million (2008: AED 235.71 million) held in trust for developers are included in Group's cash and balances with banks and the related payables are reflected in other liabilities (note 27).

15 FINANCING AND INVESTING ASSETS

	2009 AED'000	2008 AED'000
<i>Financing assets</i>		
Ijarah assets	5,647,300	5,637,512
Forward Ijarah	3,227,848	3,534,197
Commodities Murabaha	-	29,022
Real estate Murabaha	66,472	177,756
Murabaha properties held for trading	396,171	761,127
Vehicle Murabaha	22,619	30,621
	9,360,410	10,170,235
Allowance for impairment (*)	(354,369)	(128,422)
Total financing assets	9,006,041	10,041,813
<i>Investing assets:</i>		
Mudaraba	4,383	6,847
Others	13,934	12,051
Total investing assets	18,317	18,898
	9,024,358	10,060,711

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

	2009 AED'000	2008 AED'000
Within U.A.E.	8,899,184	9,926,480
Outside U.A.E.	125,174	134,231
	9,024,358	10,060,711

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15 FINANCING AND INVESTING ASSETS (continued)

The Ijarah assets include those offered as security for Sukuk payable (note 23) and certain investment deposits (note 24).

The movement in the allowance for impairment is as follows:

	2009 AED'000	2008 AED'000
At 1 January	128,422	24,800
Movement during the year	225,947	103,622
At 31 December	<u>354,369</u>	<u>128,422</u>

(*) Allowance for impairment includes AED 12.47 million (2008: AED 6.12 million) in respect of profit in suspense for impaired financing and investing assets.

As stated in note 2.3, allowance for impairment is management's estimate and is based on assumptions considering several factors. Based on the existing knowledge, it is reasonably possible that the actual outcome may still be different than the estimates and may require material adjustments to the allowance for impairment.

16 PROPERTIES AND PROPERTY RIGHTS HELD FOR TRADING

The Group has changed its intention in respect of properties and property rights in Q1 2009. These assets were held for trading as at 31 December 2008. They have been classified as investment properties and advance for investment properties respectively, as land will now be held for long term capital appreciation and buildings being acquired will be rented out.

17 AVAILABLE FOR SALE INVESTMENTS

	UAE		International		Total	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Equities and Fund (quoted) (level 1)	-	12,944	-	9,567	-	22,511
Equities and Funds (unquoted) (level 3)	15,148	16,203	69,198	78,925	84,346	95,128
Net available-for- sale investments	<u>15,148</u>	<u>29,147</u>	<u>69,198</u>	<u>88,492</u>	<u>84,346</u>	<u>117,639</u>

- (i) Quoted investments are carried at fair value determined by unadjusted quoted market prices at the date of statement of financial position.
- (ii) Unquoted available-for-sale investments have been fair valued using techniques which use inputs that are not based on observable market data.

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17 AVAILABLE FOR SALE INVESTMENTS (continued)

The movement in the provision for impairment of available-for-sale investments is as follows:

	2009 AED'000	2008 AED'000
At 1 January	68,027	39,690
Charge for the year	5,363	34,091
Less: Released upon disposal of investments	(5,357)	(5,754)
At 31 December	68,033	68,027

18 ADVANCES FOR INVESTMENT PROPERTIES

	2009 AED'000	2008 AED'000
At 1 January	-	-
Reclassified from properties held for trading (note 16)	1,146,754	-
Restructuring during the year	476,907	-
Advances adjusted upon restructuring of purchase agreement	(172,198)	-
Transfer to investment properties (note 19)	(865,482)	-
Advances paid during the year	195,479	-
At 31 December	781,460	-

This represents the advances paid by the Group towards the acquisition of certain units in under-development real estate projects in Dubai. The Group has not yet obtained title to the properties and has committed to pay an additional AED 225 million (31 December 2008: AED 2,287 million) in accordance with the agreements with the seller of these real estate projects. The Group has renegotiated certain contracts for purchase of properties and has reduced its property rights in certain properties thereby reducing the Group's obligations to pay additional amounts.

In view of the fact that only limited transactions in distressed situations are currently taking place in the market, it is not possible to determine the recoverable value of these assets with reasonable accuracy. Accordingly, they are carried at cost as at 31 December 2009.

The Group has not paid amounts totaling AED 41 million (2008: AED 450 million) in respect of advances for investment properties, which had become due in accordance with initial sale and purchase agreement. Negotiations are in progress to agree new payment plans in this respect. Management believes that the non payment will not have any adverse impact on the financial statements of the Group.

19 INVESTMENT PROPERTIES

	2009 AED'000	2008 AED'000
At 1 January	-	-
Reclassified from properties held for trading (note 16)	2,888,296	-
Transfer from advance for investment properties (note 18)	865,482	-
Cancellation of sale transactions during the year	112,153	-
Property relinquished during the year	(766,902)	-
Cost of properties sold during the year	(22,854)	-
Foreign exchange fluctuation	10,086	-
At 31 December	3,086,261	-

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19 INVESTMENT PROPERTIES (continued)

Gains / (losses) attributable to investment properties recognised in the statement of income during the year are as follows:

	2009 AED'000	2008 AED'000
Reversal of gain on cancellation of sale of investment properties	(18,149)	-
Income from cancellation of sale transactions	11,902	-
Gain on sale of investment properties	4,898	-
	<u>(1,349)</u>	<u>-</u>

In accordance with its accounting policy, the Group should carry investment properties at fair value, which reflects market conditions at the date of the statement of financial position. In view of the fact that only limited transactions in distressed situations are currently taking place in the market, it is not possible to determine the fair value of these assets with reasonable accuracy. Accordingly, these have been carried at cost as of 31 December 2009.

Amounts totaling AED 68,891 thousand (2008: AED: 858,223 thousand) are payable in respect of properties purchased by the Group and are included in liabilities.

Investment properties as at 31 December 2009 include amounts paid towards the purchase of a piece of land in Egypt by one of the Group's subsidiaries amounting to AED 355 million. The subsidiary has full possession of this land following the acquisition. However, owing to a dispute between the vendor and the prior seller of the land, the title has not been transferred in the subsidiary's name as of 31 December 2009. The subsidiary's management is actively engaged in negotiations with the seller for transfer of title to the land in to its name.

All other investment properties are located within the UAE.

20 INVESTMENTS IN ASSOCIATES

	Percentage holding		2009 AED '000	2008 AED '000
	2009	2008		
Amlak International for Real Estate, Saudi Arabia	23.75%	23.75%	226,534	227,096
Amlak Jordan	23.42%	23.42%	1,251	75,069
Amlak Qatar	40%	40%	6,026	60,219
Landmark Properties	30%	30%	5,098	51,393
			<u>238,909</u>	<u>413,777</u>

The following table illustrates summarized financial information of the Group's investments in associates:

	2009 AED'000	2008 AED'000
Share of associates' net assets:		
Assets	253,381	391,841
Liabilities	(21,071)	(24,384)
Net assets	<u>232,310</u>	<u>367,457</u>
Share of associates' revenue and results:		
Revenue	11,095	33,042
Results	<u>(6,097)</u>	<u>(34,499)</u>

The excess of carrying amount of the investments over the Group's share in the net assets represents unimpaired goodwill in connection with acquisition of 30% interest in Landmark Properties.

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21 OTHER ASSETS

	2009 AED'000	2008 AED'000
Prepayments	2,218	28,188
Receivable on sale of available-for-sale investments	-	287,691
Receivable from broking activities	73,547	13,339
Income receivable	361	3,466
Due from related parties (note 35)	10,622	126,966
Assets held for disposal	-	99,604
Long term receivable from a developer	92,570	-
Property maintenance fee receivables	12,747	2,473
Others	11,737	9,606
	<u>203,802</u>	<u>571,333</u>

Long term receivable from a developer represents profit free amounts due as a result of restructuring of property purchase agreement which shall be received in 2014. These amounts will be received subject to fulfilment of certain terms and conditions agreed with the developer. Being long term in nature, these have been discounted at the rate of 6% which is the current cost of funds for the Group.

These have been presented net as follows:

	2009 AED'000
Gross balance as at 31 December	120,911
Unamortised portion of discount upon fair valuation of long term receivables	(28,341)
	<u>92,570</u>

22 FURNITURE, FIXTURES AND OFFICE EQUIPMENT

	Furniture and fixtures AED'000	Computers and office equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost:				
At 1 January 2009	18,423	30,678	796	49,897
Additions during the year	3,348	3,225	-	6,573
Disposals during the year	(860)	(671)	(90)	(1,621)
At 31 December 2009	<u>20,911</u>	<u>33,232</u>	<u>706</u>	<u>54,849</u>
Accumulated depreciation:				
At 1 January 2009	8,552	17,578	269	26,399
Depreciation charge for the year	3,083	7,730	166	10,979
Disposals during the year	(506)	(77)	(58)	(641)
At 31 December 2009	<u>11,129</u>	<u>25,231</u>	<u>377</u>	<u>36,737</u>
Net book value:				
At 31 December 2009	<u>9,782</u>	<u>8,001</u>	<u>329</u>	<u>18,112</u>

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22 FURNITURE, FIXTURES AND OFFICE EQUIPMENT (continued)

	<i>Furniture and fixtures AED'000</i>	<i>Computers and office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Total AED'000</i>
Cost:				
At 1 January 2008	11,969	19,993	460	32,422
Additions during the year	3,740	7,074	336	11,150
Acquired through business combination	3,579	3,748	52	7,379
Disposals during the year	(865)	(137)	(52)	(1,054)
At 31 December 2008	18,423	30,678	796	49,897
Accumulated depreciation:				
At 1 January 2008	4,785	8,860	112	13,757
Depreciation charge for the year	2,669	6,933	167	9,769
Relating to acquisition through business combinations	1,477	1,913	33	3,423
Disposals during the year	(379)	(128)	(43)	(550)
At 31 December 2008	8,552	17,578	269	26,399
Net book value:				
At 31 December 2008	9,871	13,100	527	23,498

23 SUKUK

On 18 July 2005, the Group issued a five year Sukuk redeemable over six semi-annual payments starting from 18 January 2008. The Sukuk was issued at par by way of a public offering and is listed on Dubai Financial Market. The Sukuk represents ownership of certain financing and investing assets located in Dubai with carrying value equal to the outstanding unredeemed Sukuk amount (note 15).

24 INVESTMENT DEPOSITS

	<i>2009 AED'000</i>	<i>2008 AED'000</i>
a) <i>Deposits through Amlak Real Estate Fund:</i>		
At 1 January	211,640	235,742
Earned profit	865	10,741
Payments/transfer during the year	(212,505)	(34,843)
At 31 December	-	211,640
b) Mudaraba and Wakala deposits	11,108,707	11,233,403
	11,108,707	11,445,043

The Group collected investment deposits of USD 75 million payable within 4 years with minimum expected profit rate of 6% through a special purpose real estate fund. These deposits were secured by certain Ijarah assets included in financing and investing assets. Certain deposits were converted into Wakala deposits and the balance was paid during the year.

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24 INVESTMENT DEPOSITS (continued)

Mudaraba arrangements represent funds for investment in the Group's (Mudareb's) ongoing real estate investment activities (the Project) on a mudaraba basis. Rab Al Mals agree to reward the Mudareb for profits earned by it in excess of minimum return based on EIBOR determined at inception as an incentive/bonus for profitable, efficient and safe deployment of the Rab Al Mal's capital. All these arrangements are short term.

Wakala arrangements represent investment amount received by the Group (Wakeel) from a customer (Muwakkil) to invest in the investment transaction expected to generate profit for the Muwakkil based on EIBOR. Any profit exceeding the expected profit after deduction of wakeel fee is allowed to be kept by the Group as an incentive.

25 OTHER LONG TERM FINANCING

	2009 AED'000	2008 AED'000
National Bank of Abu Dhabi (note A)	-	45,871
Egyptian Saudi Finance Bank (note B)	42,883	50,213
National Bank For Development (note C)	41,890	48,103
Istisna financing by subsidiary (note D)	35,872	33,321
Total	<u>120,645</u>	<u>177,508</u>

A) National Bank of Abu Dhabi

On 13 December 2007, National Bank of Abu Dhabi issued a long term finance of Egyptian Pounds 80 million to a subsidiary to finance Group's activity according to the Islamic Sharia'a. The initial term of the finance was for six months that ended on 10 June 2008 and was renewed for another six months. The finance cost was calculated on the outstanding unpaid amount at 2% annually over the declared cost of Central Bank of Egypt. During the current year, the long term finance was paid in full by the Group.

B) Egyptian Saudi Finance Bank

On 12 December 2007, Egyptian Saudi Finance Bank issued a long term facility of a maximum limit of Egyptian Pounds 100 million to finance the Murabaha facilities of one of the Group's subsidiaries. The subsidiary has one year grace period starting from the date of the Murabaha to pay the installments. Profit on the facility granted is calculated as follows:

- for Murabaha maturing in less than three years: 1.25% over the average Corridor profit rate of the Central Bank of Egypt; and
- for Murabaha maturing in three to five years: 2% over the average Corridor profit rate of the Central Bank of Egypt.

Murabaha obtained by the subsidiary under the terms of this agreement will be settled in quarterly installments in accordance with the cash flow position of the Group. The Group has given a guarantee in favour of the Egyptian Saudi Finance Bank, Egypt in relation to the facility obtained.

C) National Bank for Development

In August 2008, National Bank for Development issued a long term facility line of a maximum limit of Egyptian Pounds 100 million to finance subsidiary's activities according to Islamic Sharia. The subsidiary has grace period of 6 months to use the limit. The expected profit on the facility obtained is calculated as follows:

- 1.5% over the average Corridor profit rate of the central Bank of Egypt with an incentive rate of 11.5%. The profit will be paid every 6 months.

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25 OTHER LONG TERM FINANCING (continued)

D) Istisna financing

During 2008, a subsidiary entered into an Istisna agreement with an Islamic bank to finance the purchase of office condominium units in a property which is currently being constructed. The total amount of the facility is AED 53,288,097, of which total payments made towards the construction cost as of 31 December 2009 is AED 30,036,354. The Istisna profit has been included in the carrying amount of the payments for the said property.

The finance amount of AED 53,288,097 and the accumulated Istisna profit will eventually be converted into an Ijarah facility upon the handover of the property to the Group.

Ijarah profit rate is 3 months EIBOR + 2.5% per annum (minimum 6.5% per annum) and is payable in quarterly instalments in 6 years after the handover of the completed property.

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.

26 EMPLOYEES' END OF SERVICE BENEFITS

	2009 AED'000	2008 AED'000
Movements in the provision recognised in the balance sheet are as follows:		
At 1 January	3,623	1,825
Transfer on acquisition of subsidiary	-	420
Provided during the year	1,298	2,421
Paid during the year	(1,214)	(1,043)
At 31 December	<u>3,707</u>	<u>3,623</u>

27 OTHER LIABILITIES

	2009 AED'000	2008 AED'000
Accrued expenses	8,651	38,658
Payable under escrow accounts(*)	161,777	235,709
Amounts payable to customers for broking activities	57,894	103,331
Advances received from customers for purchase of properties	29,441	71,866
Land department fees payable	39,910	46,039
Brokerage payable	4,845	25,809
Due to related parties (note 35)	1,272	14,401
Dividend payable	8,059	8,377
Other payables	32,639	45,228
	<u>344,488</u>	<u>589,418</u>

(*)The Group is an escrow agent and holds amounts in trust for developers. The balance represents amounts held in trust as at the date of statement of financial position.

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28 SHARE CAPITAL

	2009 AED'000	2008 AED'000
<i>Issued and fully paid</i>		
1,500,000,000 shares of AED 1 each		
(31 December 2008: 1,500,000,000 ordinary shares of AED 1 each)	<u>1,500,000</u>	<u>1,500,000</u>

29 EMPLOYEE SHARE SCHEME

During 2008, the Group purchased 25 million of its shares, equivalent to 1.67% of the issued shares. These shares are recorded in the balance sheet as employee stock option plan shares within equity, as the Group is planning to introduce such a plan. The market value of these shares as at 31 December 2009 based on the latest price quoted prior to the suspension of trading is AED 1.02 per share.

30 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. As the Group has incurred a loss, no amounts have been transferred to the statutory reserve for the current year (2008: AED 28,570 thousand).

31 GENERAL RESERVE

As required by the Company's Articles of Association, 10% of the profit for the year is 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. As the Group incurred a loss, no amounts have been transferred to the general reserve for the current year (2008: AED 28,570 thousand).

32 SPECIAL RESERVE

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

33 FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange difference arising from translation of the financial statements of foreign subsidiaries.

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34 SEGMENTAL INFORMATION

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

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

2009:

	<i>Retail AED'000</i>	<i>Commercial AED'000</i>	<i>Investment & Others AED'000</i>	<i>Total AED'000</i>
Gross income	708,182	(14,939)	68,860	762,103
Distribution to depositors	(305,966)	(179,876)	(54,785)	(540,627)
Allowances for impairment	(198,550)	(25,677)	9,020	(215,207)
Expenses (including allocated expenses)	(114,273)	(14,081)	(27,396)	(155,750)
Share of results of associates	-	-	(6,097)	(6,097)
Segment results	<u>89,393</u>	<u>(234,573)</u>	<u>(10,398)</u>	<u>(155,578)</u>
Share of non controlling interest				<u>21,795</u>
				<u>(177,373)</u>
Segment assets	<u>9,024,358</u>	<u>3,867,721</u>	<u>1,344,619</u>	<u>14,236,698</u>
Segment liabilities	<u>7,378,383</u>	<u>3,533,928</u>	<u>1,196,832</u>	<u>12,109,143</u>
Depreciation	<u>-</u>	<u>-</u>	<u>10,979</u>	<u>10,979</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>6,573</u>	<u>6,573</u>

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34 SEGMENTAL INFORMATION (continued)

2008:

	<i>Retail AED'000</i>	<i>Commercial AED'000</i>	<i>Investment and others AED'000</i>	<i>Total AED'000</i>
Gross income	698,579	452,285	55,394	1,206,258
Distribution to depositors	(305,968)	(172,185)	(47,745)	(525,898)
Allowances for impairment	(103,622)	-	(111,981)	(215,603)
Expenses (including allocated expenses)	(195,196)	(19,053)	(16,151)	(230,400)
Share of associates	-	-	(34,499)	(34,499)
Segment results	<u>93,793</u>	<u>261,047</u>	<u>(154,982)</u>	<u>199,858</u>
Less: Share of non controlling interest				(40,387)
Profit for the year				<u>240,245</u>
Segment assets	<u>9,366,102</u>	<u>4,328,749</u>	<u>2,151,612</u>	<u>15,846,463</u>
Segment liabilities	<u>8,135,956</u>	<u>4,018,297</u>	<u>1,631,747</u>	<u>13,786,000</u>
Depreciation	<u>-</u>	<u>-</u>	<u>9,769</u>	<u>9,769</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>11,150</u>	<u>11,150</u>

35 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 2009

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>2009 Total AED'000</i>
Financing and investing assets	-	-	72,899	8,982	81,881
Investment deposits	-	833,284	-	743,886	1,577,170
Other assets (note 21)	9,918	698	-	6	10,622
Other liabilities (note 27)	-	1,272	-	-	1,272

31 December 2008

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>2008 Total AED'000</i>
Financing and investing assets	-	-	52,264	13,473	65,737
Investment deposits	-	934,726	-	925,108	1,859,834
Other assets (note 21)	3,226	-	-	123,740	126,966
Other liabilities (note 27)	-	6,537	-	7,864	14,401

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35 RELATED PARTY TRANSACTIONS (continued)

Outstanding balances at the year-end arose in the normal course of business. For the year ended 31 December 2009, the Group has not recorded any impairment of amounts owed by related parties (2008: nil).

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

31 December 2009

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>2009 Total AED'000</i>
Income from financing and investing assets	-	-	3,963	695	4,658
Distribution to depositors	-	51,832	-	33,541	85,373
Reversal of gain or cancellation of sale of property rights	-	-	-	48,138	48,138

31 December 2008

	<i>Associated companies AED'000</i>	<i>Major shareholders AED'000</i>	<i>Directors and senior management AED'000</i>	<i>Other related parties AED'000</i>	<i>2008 Total AED'000</i>
Income from financing and investing assets	-	-	2,064	696	2,760
Income from investment deposits	-	-	-	(1,793)	(1,793)
Distribution to depositors	-	33,733	-	3,864	37,597
Sale of properties and property rights	-	-	-	489,149	489,149

Compensation of key management personnel

In addition to the Directors' fees of AED 1.65 million paid during 2008, the compensation paid to key management personnel of the Group is as follows:

	<i>2009 AED'000</i>	<i>2008 AED'000</i>
Salaries and other benefits	16,320	14,737
Employee terminal benefits	925	338
	<u>17,245</u>	<u>15,075</u>

36 COMMITMENTS AND CONTINGENCIES

Commitments

		<i>2009 AED'000</i>	<i>2008 AED'000</i>
Irrevocable commitments to extend credit	36.1	2,434,354	2,892,460
Commitments for investment properties	36.2	224,752	2,286,916
		<u>2,659,106</u>	<u>5,179,376</u>

36.1 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.

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

36 COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

The Group has issued guarantees on behalf of subsidiaries amounting to AED 257 million (2008: AED 283 million) and others AED 12 million (2008: AED 12 million).

37 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 continuing profitability and sustainability. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to 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 Quran and The Sunna'h. 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 Risk Adjusted Pricing Model for financing following accredited Credit and Risk evaluation standards. The Credit Committee actively pursues the quality of the portfolio on a monthly basis using internationally acknowledged credit scoring system.

37 RISK MANAGEMENT (continued)

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.

Monitoring and controlling risks is 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 risks are 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 15.

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. Overall credit risk is considered to be minimal with no significant concentration.

The Group encourages 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 full collateralisation of the finance amount (fixed rentals). The Group's customers are mainly based in the United Arab Emirates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

37 RISK MANAGEMENT (continued)

QUANTITATIVE INFORMATION

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross.

	<i>Gross maximum exposure 2009 AED'000</i>	<i>Gross maximum exposure 2008 AED'000</i>
Balances with banks (note 14)	798,989	613,326
Financing and investing assets (note 15)	9,024,358	10,060,711
Property rights held for trading (note 16)	-	1,146,754
Trading securities	394	11,067
Available-for-sale investments (note 17)	84,346	117,639
Advances for investment properties (note 18)	781,460	-
Investments in associates (note 20)	238,909	413,777
Other assets (excluding prepayment) (note 21)	201,584	543,145
Total (A)	11,130,040	12,906,419
 Irrevocable commitments to extend credit (note 36)	 2,434,354	 2,892,460
Total (B)	2,434,354	2,892,460
Total credit risk exposure (A + B)	13,564,394	15,798,879

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.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

37 RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2009

	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 AED '000	Watch list AED '000	Re-negotiated terms AED '000	<30 AED '000	30-60 AED '000	61-90 days AED '000	>90 days AED '000	Gross amount AED '000	Allowance for impairment AED '000	Carrying amount AED '000
Balances with banks	798,989	798,989	-	-	-	-	-	-	-	-	-
Advances for investment properties	781,460	781,460	-	-	-	-	-	-	-	-	-
Financing and investing assets	9,024,358	5,558,321	772,707	359,952	954,580	739,256	304,842	70,130	374,373	(109,803)*	264,570
Trading securities	394	394	-	-	-	-	-	-	-	-	-
Available-for-sale investments	84,346	84,346	-	-	-	-	-	-	68,033	(68,033)	-
Investments in associates	238,909	238,909	-	-	-	-	-	-	-	-	-
Other assets (other than prepayment)	201,584	201,584	-	-	-	-	-	-	-	-	-
	11,130,040	7,664,003	772,707	359,952	954,580	739,256	304,842	70,130	442,406	(177,836)	264,570

31 December 2008

	Carrying amount AED '000	Neither impaired nor past due on reporting date			Past due but not impaired on reporting date				Individually impaired on reporting date		
		Low/fair risk AED '000	Watch list AED '000	Re-negotiated terms AED '000	<30 AED '000	30-60 AED '000	61-90 days AED '000	>90 days AED '000	Gross amount AED '000	Allowance for impairment AED '000	Carrying amount AED '000
Balances with banks	613,326	613,326	-	-	-	-	-	-	-	-	-
Property rights held for trading	1,146,754	1,146,754	-	-	-	-	-	-	-	-	-
Financing and investing assets	10,060,711	7,763,448	-	-	1,604,655	440,381	98,306	66,362	134,007	(46,448)*	87,559
Trading securities	11,067	11,067	-	-	-	-	-	-	-	-	-
Available-for-sale investments	117,639	117,639	-	-	-	-	-	-	68,032	(68,032)	-
Investments in associates	413,777	413,777	-	-	-	-	-	-	-	-	-
Other assets (other than prepayment)	543,145	543,145	-	-	-	-	-	-	-	-	-
	<u>12,906,419</u>	<u>10,609,156</u>	<u>-</u>	<u>-</u>	<u>1,604,655</u>	<u>440,381</u>	<u>98,306</u>	<u>66,362</u>	<u>202,039</u>	<u>(114,480)</u>	<u>87,559</u>

* - In addition to the specific provision as above, the Group has also made collective impairment provision of AED 215,326 thousand (2008: AED 81,974 thousand) on financing and investing assets.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

37 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 case of older properties the appraised value is released by the Credit Department. These valuations are based on the valuation report from valuers, whenever required 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 US Dollar is pegged to the UAE Dirham, balances in US Dollars are not considered to represent significant currency risk.

		2009		2008	
	% 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%	-	± 3,137	-	± 3,683
Saudi Riyals (SAR)	± 5%	± 11,327	-	± 11,216	-

37 RISK MANAGEMENT (continued)

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 rate change based on market conditions and competitiveness.

The financing obligations, being short term, 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 the floating rate non-trading financial assets and financial liabilities held at 31 December 2009. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets.

	2009 AED '000	2008 AED '000
Effect of a $\pm$ 50 bps change in EIBOR/LIBOR	±10,514	±4,835
Effect of a $\pm$ 100 bps change in EIBOR	±21,027	± 9,671

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 include 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 or later 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 fair 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.

Based on the Group's investment deposit retention history and the support from the Steering Committee set up by the UAE Ministry of Finance and Industry, the Group expects that many of its depositors will roll over the deposits on maturity dates.

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

37 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2009

	Expected Profit rate %	Up to 1 year			Total up to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Items with no maturity AED '000	Total AED '000
		Less than 3 months AED '000	3 months to 6 months AED '000	6 months to 1 year AED '000					
Sukuk	1.6-2.1%	124,951	-	123,470	248,421	-	-	-	248,421
Investment deposits	3.6-6.2%	10,829,051	206,837	104,575	11,140,463	-	-	-	11,140,463
Other long term financing	6.5-11%	-	5,910	-	5,910	127,556	-	-	133,466
		10,954,002	212,747	228,045	11,394,794	127,556	-	-	11,522,350

OFF BALANCE SHEET ITEMS

Commitments

	2,048,357	290,329	237,205	2,575,891	83,215	-	-	-	2,659,106
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At 31 December 2008

	Expected Profit rate %	Up to 1 year			Total up to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Items with no maturity AED '000	Total AED '000
		Less than 3 months AED '000	3 months to 6 months AED '000	6 months to 1 year AED '000					
Sukuk	2.2-4.5%	132,295	-	125,690	257,985	250,041	-	-	508,026
Investment deposits	3.0-7.0%	8,080,257	2,836,498	702,907	11,619,662	-	-	-	11,619,662
Other long term financing	6.5-11%	47,132	-	-	47,132	138,127	-	-	185,259
		8,259,684	2,836,498	828,597	11,924,779	388,168	-	-	12,312,947
OFF BALANCE SHEET ITEMS		1,698,517	851,619	1,285,088	3,835,224	1,344,152	-	-	5,179,376

OFF BALANCE SHEET ITEMS

Commitments

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

37 RISK MANAGEMENT (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.

At 31 December 2009

	Up to 1 year				Total up to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Items with no maturity AED '000	Total AED '000
	Less than 3 months AED '000	3 months to 6 months AED '000	6 months to 1 year AED '000						
Assets									
Cash and deposits with banks	664,056	100,000	-		764,056	35,000	-	-	799,056
Investment Properties	-	-	-		-	2,723,071	363,190	-	3,086,261
Advance for Investment Property	-	-	-		-	781,460	-	-	781,460
Financing and investing assets	159,777	167,282	372,757		699,816	2,857,590	5,466,952	-	9,024,358
Trading securities	394	-	-		394	-	-	-	394
Available-for-sale investments	693	17,483	15,147		33,323	51,023	-	-	84,346
Investments in associates	7,277	-	226,534		233,811	5,098	-	-	238,909
Other assets	102,754	148	8,330		111,232	92,570	-	-	203,802
Furniture, fixture and equipment	-	-	-		-	-	-	18,112	18,112
Total assets	934,951	284,913	622,768		1,842,632	6,545,812	5,830,142	18,112	14,236,698
Liabilities									
Sukuk	124,825	-	122,389		247,214	-	-	-	247,214
Investment deposits	10,803,882	203,800	101,025		11,108,707	-	-	-	11,108,707
Payables for properties held for trading	59,611	5,355	16,065		81,031	79,600	-	-	160,631
Short term financing	114,633	-	-		114,633	-	-	-	114,633
Other long term financing	-	5,253	-		5,253	115,392	-	-	120,645
Zakat payable	9,118	-	-		9,118	-	-	-	9,118
Employees' end of service benefits	-	-	-		-	-	-	3,707	3,707
Other liabilities	276,316	1,920	66,252		344,488	-	-	-	344,488
Total liabilities	11,388,385	216,328	305,731		11,910,444	194,992	-	3,707	12,109,143
Commitments	2,048,357	290,329	237,205		2,575,891	83,215	-	-	2,659,106
Net liquidity gap	(12,501,791)	(221,744)	79,832		(12,643,703)	6,267,605	5,830,142	14,405	(531,551)

Amlak Finance PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2009

37 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities (continued)

At 31 December 2008

	Up to 1 year				Total up to 1 year AED '000	Over 5 years AED '000	Items with no maturity AED '000	Total AED '000
	Less than 3 months AED '000	3 months to 6 months AED '000	6 months to 1 year AED '000					
Assets								
Cash and deposits with banks	578,388	-	-	-	578,388	-	-	613,388
Properties held for trading	-	-	-	-	-	-	-	2,888,296
Property rights held for trading	-	-	-	-	-	-	-	1,146,754
Financing and investing assets	748,037	437,548	678,894	-	1,864,479	5,445,551	-	10,060,711
Trading securities	-	11,067	-	-	11,067	-	-	11,067
Available-for-sale investments	-	23,189	94,450	-	117,639	-	-	117,639
Investments in associates	-	-	75,070	-	75,070	-	338,707	413,777
Other assets	334,592	99,929	-	-	434,521	6,958	122,895	571,333
Furniture, fixture and equipment	-	-	-	-	-	-	23,498	23,498
Total assets	1,661,017	571,733	848,414		3,081,164	5,452,509	485,100	15,846,463
Liabilities								
Sukuk	132,018	-	122,562	-	254,580	-	-	499,247
Investment deposits	7,992,874	2,780,167	672,002	-	11,445,043	-	-	11,445,043
Payables for properties held for trading	-	-	-	-	-	-	-	1,019,726
Short term financing	34,036	-	-	-	34,036	-	-	34,036
Other long term financing	45,871	-	-	-	45,871	-	-	177,508
Zakat payable	-	-	17,399	-	17,399	-	-	17,399
Employees' end of service benefits	-	-	-	-	-	-	3,623	3,623
Other liabilities	138,832	447,598	2,988	-	589,418	-	-	589,418
Total liabilities	8,343,631	3,227,765	814,951		12,386,347	-	3,623	13,786,000
Commitments	1,698,517	851,619	1,285,088		3,835,224	-	-	5,179,376
Net liquidity gap	(8,381,131)	(3,507,651)	(1,251,625)		(13,140,407)	5,452,509	481,477	(3,118,913)

37 RISK MANAGEMENT (continued)

Liquidity risk (continued)

As discussed in note 1 to consolidated financial statements, the Board of Directors, along with the Steering Committee set up by the UAE Ministry of Finance and Industry in connection with the proposed merger with Tamweel PJSC are evaluating various options to secure sustainable funding for the Group in order to enable it to continue to meet its commitments.

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. No changes were made in the objectives, policies and processes during the years ended 31 December 2009 and 31 December 2008. Capital comprises share capital, employee share scheme, statutory reserve, general reserve, special reserve, cumulative changes in fair value, foreign currency translation reserve, and retained earnings and is measured at AED 1,840,927 thousand as at 31 December 2009 (31 December 2008: AED 2,031,276 thousand).

38 COMPARATIVE INFORMATION

AED 67,797 thousand being amount payable to a vendor for purchase of a piece of land by the Group's subsidiary in Egypt which was included in "Other liabilities" as at the end of the previous year has now been classified and included in "Payable for investment properties". No amounts were payable to the vendor as at 1 January 2008 as the transaction had occurred in 2008.

Such reclassification has been made to conform to the current year's classification and presentation and does not affect the previously reported results or shareholders' equity.