Tamweel PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

TAMWEEL

DIRECTORS' REPORT

The Board of Directors of Tamweel P.J.S.C. (the "Company") and subsidiaries (the "Group") has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2009, and the related consolidated statement of income, cash flows and changes in equity for the year ended 31 December 2009.

Principal activities

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. 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. The Group is also engaged in the business of property development and trading.

The Group has also obtained a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to offer Escrow Management Services.

Financial results

The Group has recorded a net loss of AED 54,458 thousand in 2009 (2008: net profit of AED 460,665 thousand). Income from Islamic financing and investing assets in 2009 reduced to AED 706,596 thousand, a decrease of 5 per cent compared to AED 743,112 thousand in 2008.

Islamic financing and investing assets in 2009 reduced to AED 10,431,566 thousand compared to AED 10,486,813 thousand in 2008.

In view of the current financial and economic uncertainty, the Board of Directors have not recommended any dividend to the shareholders for the year 2009, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Total equity as at 31 December 2009 amounts to AED 2,228,545 thousand (2008: AED 2,317,966 thousand).

Directors

Sheikh Khaled Bin Zayed Bin Saqr Al Nehayan	(Chairman)
Khaled Al Kamda	(Vice Chairman)
Ahmed Butti Al Muhairi	(Director)
Ahmed Sultan Bin Sulayem	(Director)
Fahad Bin Fahad Al Muhairi	(Director)
Wasim Saifi	(Director)

Auditors

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2009. Ernst & Young are eligible for reappointment for 2010.

On behalf of the Board

Sheikh Khaled Bin Zayed Bin Saqr Al Nehayan
Chairman
18 February 2010

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAMWEEL PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tamweel PJSC ("the Company") and its subsidiaries, (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statements of income, comprehensive income, cash flow and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Tamweel PJSC 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, 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 in 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 management, 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.

Opinion
In our opinion, 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 matter
Without qualifying our opinion, we draw attention to Notes 1 and 29 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 Amlak Finance 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.

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 UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; 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 of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Naushad Anwar
Partner
Registration No. 489

18 February 2010

Dubai, United Arab Emirates

Tamweel PJSC and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 AED'000	2008 AED'000
Income from Islamic financing and investing assets	6	706,596	743,112
Commission and other income	7	38,202	67,132
Income from sale of properties held for sale	15	20,440	428,968
Income from sale of development property	8	-	1,687
OPERATING INCOME		765,238	1,240,899
General and administrative expenses	9	(141,216)	(292,276)
Provisions and other charges, net	10	(243,788)	(72,935)
PROFIT BEFORE DEPOSITORS' SHARE OF PROFIT		380,234	875,688
Depositors' share of profit	11	(434,692)	(415,023)
(LOSS) PROFIT FOR THE YEAR		(54,458)	460,665
Earnings per share:			
Basic earnings per share (AED)	12	(0.06)	0.46
Diluted earnings per share (AED)	12	N.A.	0.46

The attached notes 1 to 34 form part of these financial statements.

Tamweel 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	(54,458)	460,665
Other comprehensive income		
Net unrealized (losses) gains on available for sale investments	(627)	262
Exchange difference on translation of foreign operations	692	(692)
Other comprehensive income (loss) for the year	65	(430)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	(54,393)	460,235

The attached notes 1 to 34 form part of these financial statements.

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 AED'000	2008 AED'000
ASSETS			
Bank balances and cash	13	507,886	352,304
Advances, prepayments and other receivables	14	98,749	202,908
Properties held for sale	15	529,702	672,702
Investment properties	16	-	39,610
Other investments	17	47,666	53,976
Islamic financing and investing assets	18	10,431,566	10,486,813
Property and equipment	19	14,960	65,068
TOTAL ASSETS		11,630,529	11,873,381
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		65,616	60,599
Accounts payable, accruals and other liabilities	20	857,856	931,452
Financing obligations	21	8,478,512	8,563,364
Total liabilities		9,401,984	9,555,415
Equity			
Share capital	22	1,000,000	1,000,000
Employees' benefit plan	23	(9,222)	(7,680)
Statutory reserve	24	182,547	182,547
General reserve	25	526,191	526,191
Special reserve	26	102,951	102,951
Cumulative changes in fair value		-	627
Retained earnings		383,465	444,488
Convertible sukuk equity component		42,613	69,534
Translation reserve		-	(692)
Total equity		2,228,545	2,317,966
TOTAL LIABILITIES AND EQUITY		11,630,529	11,873,381

Chief Executive Officer

Chairman

The attached notes 1 to 34 form part of these financial statements.

Tamweel PJSC and its Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009

	Notes	2009 AED'000	2008 AED'000
OPERATING ACTIVITIES			
(Loss) profit for the year		(54,458)	460,665
Adjustments for:			
Depreciation	19	5,255	3,611
Loss on disposal/write offs of property and equipment		2,183	27
Amortisation of deferred cost	9	11,508	9,937
Provision for employees' end of service benefits		2,459	2,728
Provision for impairment on Islamic financing and investing assets		243,788	72,935
Change in fair value of investment properties	16	-	5,691
Provision for impairment on advances and receivables		-	50,247
Provision for impairment on available-for-sale investments		-	920
Depositors' share of profit	11	434,692	415,023
Income on deposits and wakala placements	7	(24,194)	(49,116)
		621,233	972,668
Working capital changes:			
Islamic financing and investing assets		173,770	(5,236,201)
Properties held for sale		70,390	1,635,992
Trading investments		4,233	18,870
Advances, prepayments and other receivables		129,992	280,308
Financing obligations		(83,638)	820,255
Accounts payable, accruals and other liabilities		(254,008)	77,363
Cash from (used in) operations		661,972	(1,430,745)
Depositors' share of profit paid		(488,824)	(380,781)
Employees' end of service benefits paid		(2,138)	(830)
Dividend settled		-	(218,000)
Zakat paid		(26,824)	(7,757)
Net cash from (used in) operating activities		144,186	(2,038,113)
INVESTING ACTIVITIES			
Additions to property and equipment	19	(14,248)	(32,809)
Held to maturity investments		1,450	(3,166)
Proceeds from sale of property and equipment		-	143
Income received from deposits and wakala placements		24,194	49,116
Net cash from investing activities		11,396	13,284
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuks		-	2,190,314
Directors' fees		-	(2,250)
Net cash from financing activities		-	2,188,064
INCREASE IN CASH AND CASH EQUIVALENTS		155,582	163,235
Translation reserve		-	(692)
Cash and cash equivalents at 1 January		352,304	189,761
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	507,886	352,304

The attached notes 1 to 34 form part of these financial statements.

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Share capital AED'000	*Employees' benefit plan AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Retained earnings AED'000*	*Convertible sukuk equity component AED'000*	*Translation reserve AED'000*	*Proposed dividends AED'000*	*Total AED'000*
Balance at 1 January 2008	1,000,000	(9,577)	136,452	480,124	52,290	365	168,314	-	-	218,000	2,045,968
Total comprehensive income for the year	-	-	-	-	-	262	460,665	-	(692)	-	460,235
Dividend settlement for 2008	-	-	-	-	-	-	-	-	-	(218,000)	(218,000)
Shares granted under employees' benefit plan	-	1,897	28	-	-	-	-	-	-	-	1,925
Cost of vested shares under employees' benefit plan	-	-	-	-	-	-	1,428	-	-	-	1,428
Zakat, net of reversals	-	-	-	-	-	-	(40,674)	-	-	-	(40,674)
Directors' fees	-	-	-	-	-	-	(2,450)	-	-	-	(2,450)
Equity component of convertible sukuk	-	-	-	-	-	-	-	69,534	-	-	69,534
Transfer to statutory reserve (Note 24)	-	-	46,067	-	-	-	(46,067)	-	-	-	-
Transfer to general reserve (Note 25)	-	-	-	46,067	-	-	(46,067)	-	-	-	-
Transfer to special reserve (Note 26)	-	-	-	-	50,661	-	(50,661)	-	-	-	-
Balance at 31 December 2008	1,000,000	(7,680)	182,547	526,191	102,951	627	444,488	69,534	(692)	-	2,317,966

The attached notes 1 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Share capital AED'000	*Employees' benefit plan AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Retained earnings AED'000*	*Convertible sukuk equity component AED'000*	*Translation reserve AED'000*	*Total AED'000*
Balance at 1 January 2009	1,000,000	(7,680)	182,547	526,191	102,951	627	444,488	69,534	(692)	2,317,966
Total comprehensive loss for the year	-	-	-	-	-	(627)	(54,458)	-	692	(54,393)
Shares forfeited under employees' benefit plan	-	(1,542)	-	-	-	-	(23)	-	-	(1,565)
Cost of vested shares under employees' benefit plan	-	-	-	-	-	-	1,428	-	-	1,428
Directors' fees	-	-	-	-	-	-	(3,050)	-	-	(3,050)
Equity component of convertible sukuk	-	-	-	-	-	-	26,921	(26,921)	-	-
Zakat	-	-	-	-	-	-	(31,841)	-	-	(31,841)
Balance at 31 December 2009	**1,000,000**	**(9,222)**	**182,547**	**526,191**	**102,951**	**-**	**383,465**	**42,613**	**-**	**2,228,545**

The attached notes 1 to 34 form part of these financial statements.

1 THE COMPANY AND ITS OPERATIONS

Tamweel PJSC (the "Company") was registered on 3 June 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No (8) of 1984, as amended. The share capital of the Company comprises 1,000,000,000 shares of AED 1 each. Previously, the Company was operating as Tamweel LLC with a paid up share capital of AED 450 million (450,000 shares of AED 1,000 each).

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. 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. The Group is also engaged in the business of property development and trading.

The Group has also obtained a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to offer Escrow Management Services.

The head office of the Group is located at Business Avenue Building, Emirate of Dubai, UAE. The Group has one branch each in the Emirates of Dubai and Abu Dhabi.

The Group consists of Tamweel PJSC (the Parent Company) and its subsidiaries registered up to 31 December 2009, as listed below:

Subsidiaries	*Beneficial ownership*		*Principal activity*	*Country of incorporation*
	31 December 2009	*31 December 2008*		
Tamweel Properties & Investments LLC	100%	100%	Real estate development including construction, purchase, sale, rent, brokerage, agency and management services	UAE
Tamweel Emirates for Real Estate Finance S.A.E.	-	100%	Sharia'a compliant financing and investing activities	Egypt
Tamleek Egypt Limited	-	100%	General trading	JAFZA, Dubai, UAE
Tahfeez Egypt Limited	-	100%	General trading	JAFZA, Dubai, UAE
Tahfeez Saudi Arabia Limited	100%	100%	General trading	JAFZA, Dubai, UAE
Tahfeez Middle East Limited	100%	100%	General trading	JAFZA, Dubai, UAE
Tamleek Saudi Arabia Limited	100%	100%	General trading	JAFZA, Dubai, UAE
Esham Saudi Arabia Limited	100%	100%	General trading	JAFZA, Dubai, UAE
Enjaz Saudi Arabia Limited	100%	100%	General trading	JAFZA, Dubai, UAE
PF Holding Limited	-	100%	Sale and purchase of properties	JAFZA, Dubai, UAE
Tamweel Funding Limited	100%	100%	SPE for issuance of convertible sukuk	Jersey
Tamweel Sukuk Limited	100%	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	100%	SPE for employees' benefit plan	British Virgin Islands

Except for the last three, the above subsidiaries have yet to commence commercial operations.

1 THE COMPANY AND ITS OPERATIONS (continued)

On 21 May 2009, the Group sold its share holding in Tamleek Egypt Limited and Tahfeez Egypt Limited which together owned 100% of the capital of Tamweel Emirates for Real Estate Finance S.A.E, Egypt. These subsidiaries of the Group had not commenced commercial operations.

On 5 October 2008, the Group announced that Tamweel PJSC and Amlak Finance PJSC are at an early stage of discussions that could lead to the establishment of a merged entity subject to shareholders' approval and regulatory approvals. The discussions are still at the expression of interest stage, without any binding legal commitment.

In November 2008, The Ministry of Finance formed a Steering Committee to review, assess, liaise and provide advice to the Group and make recommendations to the State Minister for Financial Affairs in respect of the committee's findings with the objective to provide long term stability to the Company. The Committee has appointed various advisors (including accounting and legal firms and an investment bank) to assist the Committee in making recommendations which are expected to address the Company's ongoing liquidity in addition to its organisational structure. The mismatch between the maturity of assets and liabilities is set out in Note 29.

Trading in the Company's shares on the Dubai Financial Market has been suspended until the Steering Committee finalises its recommendations.

2 BASIS OF PREPARATION

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

Basis of consolidation
Subsidiary undertakings are those companies over which the Group exercises control.

The consolidated financial statements comprise the financial statements of Tamweel PJSC (the Company) and its subsidiaries listed in note 1 (collectively "the Group"). 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, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

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.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009 (early adopted)

2 BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

IFRS 2 Share-based Payment (Revised)
The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the Group.

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 derivative transactions and assets used for liquidity management. The liquidity risk and fair value measurement disclosures are not significantly impacted by the amendments and are presented in Notes 29 and 33 respectively.

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 30, including the related revised comparative information.

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.

Improvements to IFRSs
In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group.

- *IFRS 8 Operating Segment Information*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

  As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 30.

- *IAS 16 Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

2 BASIS OF PREPARATION (continued)

- *IAS* 18 *Revenue:* The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

  The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

Other new and amended IFRS and IFRIC interpretations, effective as of 1 January 2009 did not have any impact on the accounting policies, financial position or performance of the Group.

IASB Standards and Interpretations issued but not yet effective
The Group has not adopted the other new accounting standards or interpretations that have been issued but are not yet effective. These standards and interpretations are not likely to have any significant impact on the financial statements of the Group in the period of their initial application.

Basis of measurement
The accompanying consolidated financial statements have been prepared under the 'historical cost convention' as modified by the measurement at fair value of investment properties, trading investments and available for sale investments.

The reporting currency of the Group is UAE Dirhams (AED) and these financial statements have been presented in thousands of AED.

3 SIGINIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which may have an effect on amounts recognised in the financial statements.

Transfer of equitable interest in properties
The Group has entered into a number of contracts with buyers for the sale of property units. Management has determined that equitable interest in such assets, and therefore risks and rewards of ownership, are transferred to the buyer once he has executed the purchase agreement, pursuant to which he is committed to make the payment of the purchase price. The commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progressive payments. The risk of the buyer being able to rescind the contract for the reasons stated in the contract is considered by management to be remote.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, carried at fair value through profit or loss, finances and receivables or available-for-sale.

For those investments deemed held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

All other investments are classified as available-for-sale.

3 SIGINIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES (continued)

Use of estimates
The preparation of the financial statements requires management to 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. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Impairment losses on Islamic financing and investing assets
The Group reviews its Islamic financing and investing assets on a regular basis to assess whether a provision for impairment should be recorded in the income statement in relation to any non-performing assets. In particular, judgement 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 Islamic financing and investing assets
In addition to specific provisions against individually significant Islamic financing and investing assets, the Group also makes collective impairment provisions against facilities which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for facilities within each grade and is adjusted to reflect current economic changes.

Valuation of investment properties
The Group hires the service of third party valuers for obtaining estimates of the valuation of investment properties.

4 DEFINITIONS OF SIGNIFICANT TERMS

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

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

Ijara
Ijara is an agreement whereby the Group buys an asset according to the customer's request and then leases it, in its capacity as a lessor, to the customer as lessee for a specified rental over a specific period. The duration of the lease term, as well as the basis for rental, are set and agreed in advance. The Group retains legal ownership of the asset throughout the arrangement. The arrangement could end by transferring the ownership of the asset to the lessee.

Istisna'a
Istisna'a is a sale contract whereby the Group undertakes to construct for the customer, a specific asset or property according to certain agreed upon specifications at a pre-determined price and for a fixed date of delivery. 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.

Murabaha
Murabaha is an agreement whereby the Group makes a sale to a customer of an asset that is acquired principally based on a promise received from the customer to buy the relevant asset according to the relevant specific terms and conditions. While making the sale, the Group expressly mentions the costs incurred on the asset that are sold and the profit thereon, to the customer.

4 DEFINITIONS OF SIGNIFICANT TERMS (continued)

Forward Ijara
Forward Ijara is an arrangement whereby the Group agrees to provide, on a specified future date, certain described property on lease to the customer upon its completion and delivery by the developer, from whom the Group has purchased the property. The lease rental under Forward Ijara commences only upon the customer having received possession of the property from the Group. The arrangement could end by transferring the ownership of the asset to the lessee.

Mudaraba
Mudaraba is an agreement in which the customer contributes capital and the Group applies its effort. The proportionate share of profit is determined by mutual agreement. The loss, if any, unless caused by negligence or violation of the terms of the agreement, is borne only by the owner of the capital in which case the Group gets nothing for its efforts. The fund provider is known as 'rab-al-mal' and the Group as 'mudareb'.

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 percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. The agent is obliged to return the invested amount in case of default, negligence or violation of the terms and conditions of the Wakala.

Sukuk
These comprise asset based, Sharia'a compliant trust certificates.

5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements are as follows:

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:

Ijara income
Ijara income is recognised on a time-apportioned basis over the lease term based on the fixed rental amount outstanding.

Murabaha income
Murabaha income is recognised on a time-apportioned basis over the period of the contract based on the net Murabaha amount outstanding.

Istisna'a income
Istisna'a associated profit margin (difference between the cash price of al-masnoo to the customer and the Group's total Istisna'a cost) is accounted for on a time- apportioned basis over the construction period.

Forward Ijara income
Forward Ijara income during the construction period of the properties is accounted for on a time-apportioned basis over the construction period on account of rentals. Upon completion of the properties income is recognised on a time-apportioned basis over the period of the contract based on the fixed rental amount outstanding.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Sale of properties held for sale
Sale of properties held for sale is recognised on full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed, if any, is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Processing fees
Processing fees are recognised when applications for facilities are processed.

Other income
Income earned on deposits and wakala placements is recognised on a time proportion basis. All other income is recognised when the right to receive the income is established.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Cost of sale of development property
Cost of sale of development property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of individual properties is based on the estimated proportion of the development cost incurred to date to the estimated total development cost for the project.

Cash and cash equivalents
For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

Islamic financing and investing assets
Islamic financing and investing assets include outstanding Ijara fixed rentals, Murabaha sales receivables net of deferred profits, Istisna'a costs incurred to date measured at cash equivalent value and forward Ijara at costs incurred to date. These assets are stated at cost net of provisions for impairment, if any.

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

Investment properties are derecognised when 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 or when, with the intention to sell it is transferred to properties held for sale. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Properties held for sale
Properties held for sale are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. 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 business less estimated costs necessary to be incurred on disposal.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Trading investments
These are initially recognised at cost and subsequently measured at fair value. All related realised and unrealised gains or losses are taken to the income statement. Profit earned or dividends received are included in other income.

Held to maturity
Securities which have fixed or determinable payments and are intended to be held to maturity, are carried at amortised cost using the effective profit method, less provision for impairment in value, if any.

Available -for-sale
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the year.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in progress is stated at cost and is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Leasehold improvements	5 to 10 years
Office equipment	5 years
Furniture and fixtures	4 to 5 years
Software licenses and computer equipment	3 to 8 years
Networks and servers	3 to 4 years

The carrying values of property and 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 a component of an item of property and 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 item of property and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Financial instruments
The Group recognises financial 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 finances and receivables and held to maturity investments which are measured at amortised cost. Financial liabilities, after initial recognition, are measured at amortised cost.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets and financial liabilities
Financial assets
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 (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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.

Securitisation
The Group enters into securitisation transactions to finance specific finances and advances to customers. Both the securities in issue and the finances and advances to customers remain on the Group's statement of financial position within the appropriate headings in the statement of financial position unless:

i) a fully proportionate share of all or of specifically identified cash flows have been transferred to the holders of the securities, in which case that proportion of the assets are derecognised;

ii) substantially all the risks and rewards associated with the assets have been transferred, in which case the assets are fully derecognised; or

iii) if a significant proportion of the risks and rewards have been transferred, the assets are recognised only to the extent of the Group's continuing involvement.

Zakat
Zakat is computed as per the Group's Articles and Memorandum of Association and is approved by the Group's Sharia'a Supervisory Board on the following basis:

- Zakat on shareholders' equity is computed at 2.577% of the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on the paid up capital is not included in the Zakat computations and is payable by the shareholders personally.

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

Provisions
Provisions are recognised when the Group has a present 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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end-of-service benefits
For its national employees, the Group makes contributions to the 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 term of employment.

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

Convertible Sukuk
Convertible Sukuk that can be settled at the option of the issuer are recorded as compound financial instruments. The equity component of the convertible sukuk is calculated as the excess of the issue proceeds over the present value of the future profit and principal payments, discounted at the market rate of profit applicable to similar liabilities that do not have a conversion option.

Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity-settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Foreign currencies
Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into Arab Emirates Dirhams at the rate of exchange ruling at the statement of financial position date and, their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the consolidated income statement.

Trade and settlement date accounting
All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Fair values
For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the statement of financial position date. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted securities fair value is determined by reference to brokers' quotes, recent transaction(s), the market value of similar securities, or based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

For investments in properties, fair value is determined periodically on the basis of independent professional valuations.

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

6 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2009 AED'000	*2008 AED'000*
Ijara	425,059	302,205
Forward Ijara	226,827	209,449
Murabaha	33,544	35,661
Istisna'a	11,484	32,222
Processing fees, other fees and commission income	9,682	163,575
	706,596	743,112

7 COMMISSION AND OTHER INCOME

	2009 AED'000	*2008 AED'000*
Income on deposits and wakala placements	24,194	49,116
Commission income on sale of properties	-	15,435
Changes in fair value of investment properties (Note 16)	-	(5,691)
Changes in fair value of investments held for trading	3,798	(18,870)
Gain on sale of investments held for trading	570	-
Others	9,640	27,142
	38,202	67,132

8 INCOME FROM SALE OF DEVELOPMENT PROPERTY

	2009 AED'000	*2008 AED'000*
Revenue from sale of development property	-	21,708
Cost of sale of development property	-	(20,021)
	-	1,687

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 AED'000	*2008 AED'000*
Staff costs	75,159	115,919
Advertisement and sales promotion	600	25,859
Office rent	16,517	19,129
Legal and professional charges	5,842	8,068
Amortization of deferred cost	11,508	9,937
Depreciation (Note 19)	5,255	3,611
Cost of vested shares under employees' benefit plan (Note 23)	1,428	1,428
Provision for impairment on advances and receivables	-	50,247
Costs for closure of international operations and other non recurring costs	7,920	41,994
Other expenses	16,987	16,084
	141,216	292,276

10 PROVISIONS AND OTHER CHARGES, NET

	2009 AED'000	*2008 AED'000*
Provision for impairment- Islamic financing and investing assets	**140,469**	72,935
- Properties held for sale	**188,700**	-
Reversal of other provisions and accruals no longer required	**(85,381)**	-
	243,788	72,935

11 DEPOSITORS' SHARE OF PROFIT

	2009 AED'000	*2008 AED'000*
Financing obligations	**431,867**	408,094
Others	**2,825**	6,929
	434,692	415,023

12 EARNINGS PER SHARE – BASIC AND DILUTED

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares. The diluted earnings per share arising from the issue of employees' share options do not result in any change from the reported basic earnings per share.

Basic earnings per share

	2009 AED'000	*2008 AED'000*
(Loss) profit for the year	**(54,458)**	460,665
Less: Directors' remuneration	**(3,050)**	(2,450)
(Loss) profit for the year net of directors' remuneration	**(57,508)**	458,215
	Number of shares '000	
Weighted average number of shares outstanding during the year	**1,000,000**	1,000,000
Basic earnings per share (AED)	**(0.06)**	0.46