Amlak Finance PJSC
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

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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 2010 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 other explanatory information.

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) and for such controls as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Basis for Qualified Opinion
The Group's accounting policy is to carry investment properties and advances for investment properties at their fair values reflecting the market conditions at the reporting date. At 31 December 2010, the Group's consolidated financial statements include investment properties and advances for investment properties amounting to AED 3,288 million and AED 670 million 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 2010 at their acquisition cost.

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

Qualified Opinion
In our opinion, except for the effects of the matters described in the Basis for Qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

As discussed in note 1 to the consolidated financial statements, The Governmental Committee for Amlak's affairs continues to explore the possibilities of a merger and balance sheet restructuring of the Company. This has entailed a full review and assessment of the Company's business operations and liquidity position and providing guidance to the Company's management and regulators where necessary with a view to making recommendations to the UAE Government on the Company's long term stability, liquidity and assets and liabilities management requirements. Trading in the Company's shares on the Dubai Financial Market has been suspended until the Governmental Committee finalises its recommendations.

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 Basis for Qualified opinion paragraph, proper books of account have been kept by the Company, 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, except for the Board of Director's remuneration of AED 1.5 million which owing to the Company incurring losses may not be permitted under Article 118 of the UAE Commercial Companies Law of 1984 (as amended), no other violations of the UAE Commercial Companies Law of 1984 (as amended) or of the Articles and Memorandum of Association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Farrukh Seer
Partner
Registration No. 491

17 February 2011

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2010

	Notes	*2010* *AED'000*	*2009* *AED'000*
Income from Islamic financing and investing assets	5	**616,043**	760,587
Processing and other fees	6	**9,238**	25,624
Gain on investments	7	**1,759**	17,904
Loss on Advances for investment properties	15	**(81,987)**	(68,215)
Dividend income		**2,561**	4,261
Income on deposits		**5,359**	5,939
Other income	8	**24,434**	17,352
Gain / (loss) on sale of investment property	16	**9,242**	(1,349)
OPERATING INCOME		**586,649**	762,103
Impairment:			
- Islamic Financing and investing assets		**(221,825)**	(225,947)
- Available-for-sale investments		**(5,029)**	(5,363)
- Investment in associate		**(2,628)**	(38,339)
- Reversed on other assets		**-**	54,442
Operating expenses	9	**(130,949)**	(155,750)
Share of results from associates	17	**2,497**	(6,097)
PROFIT BEFORE DISTRIBUTIONS TO DEPOSITORS/INVESTORS		**228,715**	385,049
Distributions to depositors/ Investors	10	**(451,797)**	(540,627)
LOSS FOR THE YEAR		**(223,082)**	(155,578)
Attributable to:			
Equity holders of the parent		**(219,002)**	(177,373)
Non controlling interests		**(4,080)**	21,795
		(223,082)	(155,578)
Loss per share attributable to Equity holders of the parent Basic and diluted loss per share (AED)	11	**(0.15)**	(0.12)

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	2010 *AED'000*	*2009* *AED'000*
Loss for the year	**(223,082)**	(155,578)
Other comprehensive income		
Available for sale investments:		
- Net unrealised gains on available-for-sale investments	**7,721**	4,154
- Reclassification adjustment for loss / (gains) included in statement of income	**2,017**	(16,195)
Exchange differences on translation of foreign operations	**(18,489)**	8,183
Other comprehensive income for the year	**(8,751)**	(3,858)
Total comprehensive income for the year	**(231,833)**	(159,436)
Attributable to:		
Equity holders of the parent	**(227,753)**	(181,231)
Non-controlling interests	**(4,080)**	21,795
	(231,833)	(159,436)

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 AED'000	2009 AED'000
ASSETS			
Cash and balances with banks	12	700,892	799,056
Islamic Financing and investing assets	13	7,977,921	9,024,358
Trading securities		-	394
Available-for-sale investments	14	84,612	84,346
Advances for investment properties	15	670,088	781,460
Investment properties	16	3,288,445	3,086,261
Investments in associates	17	231,501	238,909
Other assets	18	159,104	203,802
Furniture, fixtures and office equipment	19	9,194	18,112
TOTAL ASSETS		13,121,757	14,236,698
LIABILITIES AND EQUITY			
Liabilities			
Sukuk	20	-	247,214
Investment deposits and other Islamic Financing	21	10,782,238	11,108,707
Payable for investment properties	16	65,160	160,631
Short term financing	12	55,613	114,633
Other long term Islamic financing	22	86,946	120,645
Zakat payable		3,119	9,118
Employees' end of service benefits	23	3,585	3,707
Other liabilities	24	228,469	344,488
Total liabilities		11,225,130	12,109,143
Equity			
Equity attributable to equity holders of the parent			
Share capital	25	1,500,000	1,500,000
Employee stock option plan shares	26	(93,048)	(93,048)
Statutory reserve	27	88,675	88,675
General reserve	28	88,675	88,675
Special reserve	29	99,265	99,265
Cumulative changes in fair value		13	(9,725)
Foreign currency translation reserve	30	(24,887)	(6,398)
(Accumulated losses) / retained earnings		(50,028)	173,483
		1,608,665	1,840,927
Non controlling interests		287,962	286,628
Total equity		1,896,627	2,127,555
TOTAL LIABILITIES AND EQUITY		13,121,757	14,236,698

Approved by the Board of Directors on 17/2/11 and signed on its behalf by:

Vice Chairman

Director

Chief Executive Officer

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2010

	Notes	*2010 AED'000*	*2009 AED'000*
OPERATING ACTIVITIES			
Loss for the year		**(223,082)**	(155,578)
Adjustments for:			
Depreciation	19	**8,620**	10,979
Share of results from associates		**(2,497)**	6,097
Impairment of available-for-investments		**5,029**	5,363
(Amortisation) / discount on fair value of long term receivables		**(4,606)**	28,341
Impairment of Islamic financing and investing assets		**221,825**	225,947
Impairment of investment in associate		**2,628**	38,339
(Gain) / loss on sale of investment properties		**(9,242)**	1,349
Gain on sale of investments		**(1,759)**	(17,904)
Reversal of gain on cancellation of sale of property rights		**81,987**	68,215
Reversal of liabilities no longer payable		**-**	(47,631)
Reversal of impairment on other assets		**-**	(54,442)
Profit on sale of furniture, fixtures and office equipment		**-**	(1,029)
Provision for employees' end of service benefits	23	**1,385**	1,298
Dividend income		**(2,561)**	(4,261)
		77,727	105,083
Working capital changes:			
Financing and investing assets		**620,251**	585,129
Other assets		**49,304**	282,960
Investment deposits		**(321,055)**	(419,461)
Other liabilities		**(111,112)**	(63,670)
Payment for investment properties		**-**	(5,976)
Cash from operations		**315,115**	484,065
Employees' end of service benefits paid	23	**(1,507)**	(1,214)
Net cash from operating activities		**313,608**	482,851
INVESTING ACTIVITIES			
Proceeds from repayment of capital in associates		**9,036**	130,432
Proceeds from sale of available-for-sale investments / trading securities		**3,675**	44,466
Proceeds from disposal of investment properties		**7,125**	14,759
Payment for advance of investment properties	15	**(84,118)**	(195,479)
Payment of Zakat		**(9,008)**	(17,195)
Purchase of furniture, fixtures and office equipment	19	**(310)**	(6,573)
Proceeds from disposal of furniture, fixtures and office equipment		**608**	1,805
Dividend income received		**2,561**	4,261
Net cash used in investing activities		**(70,431)**	(23,524)
FINANCING ACTIVITIES			
Repayment of Sukuk		**(247,214)**	(252,033)
Payment of long term Islamic financing		**(28,777)**	(56,863)
Payment to non-controlling shareholders		**-**	(44,550)
Net cash used in financing activities		**(275,991)**	(353,446)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(32,814)**	105,881
Foreign exchange translation reserve		**(6,330)**	(810)
Cash and cash equivalents at the beginning of the year		**649,423**	544,352
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**610,279**	649,423

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2010

	Attributable to the shareholders of the parent company										
	Share capital AED'000	*Employee stock option plan shares AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Foreign currency translation reserve AED'000*	*Retained earnings / (accumulated losses) AED'000*	*Total AED'000*	*Non- controlling interest AED'000*	*Total equity AED'000*
At 1 January 2010	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
Loss for the year	-	-	-	-	-	-	-	(219,002)	(219,002)	(4,080)	(223,082)
Other comprehensive income	-	-	-	-	-	9,738	(18,489)	-	(8,751)	-	(8,751)
Total comprehensive income						9,738	(18,489)	(219,002)	(227,753)	(4,080)	(231,833)
Zakat	-	-	-	-	-	-	-	(3,009)	(3,009)	-	(3,009)
Board of Directors' fee								(1,500)	(1,500)		(1,500)
Movement in non-controlling interest during the year	-	-	-	-	-	-	-	-	-	5,414	5,414
At 31 December 2010	**1,500,000**	**(93,048)**	**88,675**	**88,675**	**99,265**	**13**	**(24,887)**	**(50,028)**	**1,608,665**	**287,962**	**1,896,627**

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2010

	Attributable to the shareholders of the parent company										
	Share capital AED'000	*Employee stock option plan shares AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Foreign currency translation reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Non- controlling interest AED'000*	*Total equity 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 income	-	-	-	-	-	(12,041)	8,183	-	(3,858)	-	(3,858)
Total comprehensive 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)	-	-	-	-	-	-	-	-	-	280,196	280,196
Payment to non controlling interest	-	-	-	-	-	-	-	-	-	(44,550)	(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 35 form part of these consolidated financial statements.

1 ACTIVITIES

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

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic financing and investing activities such as Ijara, Murabaha, Mudaraba and Musharaka. The activities of the Company are conducted in accordance with the Principles of 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, United Arab Emirates to start Escrow Management service operations.

The Governmental Committee for Amlak's affairs continues to explore the possibilities of a merger and statement of financial position restructuring of the Company. This has entailed a full review and assessment of the Company's business operations and liquidity position and providing guidance to the Company's management and regulators where necessary with a view to making recommendations to the UAE Government on the Company's long term stability, liquidity and assets and liabilities management requirements.

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

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

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 2010.

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.

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:

Company	*Basis for consolidation*	*Country of incorporation*	*Percentage shareholding*	
			2010	*2009*
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%
Waraqaa Heights LLC ('Waraqaa')	Subsidiary	UAE	**100%**	100%
Amlak Capital LLC	Subsidiary	UAE	**100%**	100%
Amlak Properties Investment LLC	Subsidiary	UAE	**100%**	100%
Amlak Egypt Limited	Subsidiary	UAE	**100%**	100%
Amlak Limited	Subsidiary	UAE	**100%**	100%
Park Investment LLC*	SPV	UAE	-	100%
Tasabeeh Investment LLC*	SPV	UAE	-	100%

*The SPVs were registered in the name of a director and a former director of the Company who were holding the ownership of the entities on behalf of the Company. During the current year, the Group terminated its interest and liquidated these SPVs. The SPVs were not active and did not have any transactions for the last two years.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies are consistent with those used in the previous years, except as follows:

New and revised accounting standards and interpretations

(a) Standards, amendments and interpretations effective from 1 January 2010 which are relevant to and adopted by the Group

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

The Group applies the revised standards from 1 January 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

2 ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued and are relevant to the Group but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, will therefore have to be recognised directly in profit or loss.

Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.

'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

Use of estimates:
The preparation of the financial statements requires management to use its judgement 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 estimation. The Group calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

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

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.

2 ACCOUNTING POLICIES (continued)

2.3 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS (continued)

Judgements (continued)

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 judgements as to whether there is any observable data indicating that there is a reduction in the carrying value of non financial assets.

2.4 DEFINITIONS

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

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

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

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

Mudaraba
An agreement between two parties whereby one party is a fund provider (Rab Al Mal) would provide a certain amount of funds (Mudaraba Capital), to the other party (Mudarib). Mudarib would then invest the Mudaraba Capital 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. Under the Mudaraba contract the Group may act either as Mudarib or as Rab Al Mal as the case may be.

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

Wakala Investments
An agency agreement whereby the (the "Muwakkil") provides a certain sum of money (the "Wakala Capital") to an agent (the "Wakeel") to invest it in a Sharia'a compliant manner and in accordance with the feasibility study/investment plan submitted to the "Muwakkil" by the Wakeel. Wakeel for the services is entitled to a fixed fee (the Wakala fee) as a lump sum amount or as a percentage of the Wakala Capital (the Wakala Agreement). Further, if the Wakeel achieves a return over and above the amount of expected profit (as stated in the Investment offer) the "Muwakkil" may grant such profit or returns over and above to the Wakeel as an incentive for its excellent performance. However, the Wakeel is obliged to return the invested amount in case of its default, negligence or violation of any of the terms and conditions of the Wakala. The Group may either receive the funds from the investors as their investment agent (the "Wakeel") or provide the funds, as Principal (the "Muwakkil"), to the customers as its investment agent (the "Wakeel").

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

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

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

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

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

Sale of properties 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.

Islamic **Financing and investing assets**
Islamic 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties and advances for investment properties

Investment properties and advances for investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties and advances for investment properties are stated at fair value, which reflects market conditions at the date of the statement of financial position. 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 consultants. For advances for investment properties, valuations are adjusted for amounts to be paid in accordance with property purchase agreements.

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 statement of financial position 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 reporting 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 statement of income.

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

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 statement of income when due.

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

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

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

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

Foreign currencies
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 statement of financial position date. Any resultant gains and losses are taken to the statement of income.

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 reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

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

4 BUSINESS COMBINATION AND ACQUISITION OF NON CONTROLLING INTERESTS

Acquisition of Amlak Sky Gardens LLC in 2009

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 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:

	Carrying values AED'000	*Fair values AED'000*
Investment properties	865,482	865,482
Other assets	228	228
	865,710	865,710
Advances from customers	(15,834)	(15,834)
Net assets	849,876	849,876
Non controlling interest		(280,196)
		569,680

	AED'000
Cost:	
Initial investment included as investment in associates	289,484
Acquisition of additional 33% from non controlling shareholder	280,196
	569,680

The recording of assets and liabilities acquired as above was initially done at their provisional values. During 2009, management 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 believes 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 to 31 December 2009, Amlak Sky Garden LLC increased the loss of the Group by AED 3.39 million.

5 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2010 *AED'000*	*2009* *AED'000*
Financing assets:		
Ijarah	**448,959**	472,266
Forward Ijarah	**157,605**	223,273
Murabaha	**9,479**	12,406
Murabaha properties held for trading	-	51,621
	616,043	759,566
Investing assets:		
Mudaraba	-	1,021
	616,043	760,587

6 PROCESSING AND OTHER FEES

	2010 *AED'000*	*2009* *AED'000*
Processing	**370**	1,018
Early settlement	**3,819**	8,132
Others	**5,049**	16,474
	9,238	25,624

7 GAIN ON INVESTMENTS

	2010 *AED'000*	*2009* *AED'000*
Realised gain:		
Gain on sale of trading securities	**6**	1,709
(Loss)/Gain on sale of available-for-sale investments	**(15)**	16,195
Gain on sale of investment in associates	**1,768**	-
	1,759	17,904

8 OTHER INCOME

	2010 *AED'000*	*2009* *AED'000*
Escrow fees	**1,673**	4,600
Management fees	-	424
Rental income	**13,241**	2,088
Technical know-how fees	-	1,647
Others	**9,520**	8,593
	24,434	17,352

9 OPERATING EXPENSES

	2010 *AED'000*	*2009* *AED'000*
Personnel expenses	**58,829**	70,705
Rent	**6,920**	35,143
Advertisement and marketing	**2,988**	9,138
Depreciation	**8,620**	10,979
(Amortisation) / discount on fair valuation of long term receivables (note 18)	**(4,606)**	28,341
Reversal of liabilities no longer payable	**-**	(47,631)
Others	**58,198**	49,075
	130,949	155,750

10 DISTRIBUTION TO DEPOSITORS/INVESTORS

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.

11 BASIC AND DILUTED LOSS PER SHARE

Loss per share is calculated by dividing loss attributable to the equity holders of the parent for the year, including directors' fees by weighted average number of shares outstanding during the year as follows:

	2010	*2009*
Loss for the year attributable to equity holders of the parent, including directors' fees (AED'000)	**(220,502)**	(177,373)
Weighted average number of shares	**1,475,000,000**	1,475,000,000
Equity holders of the parent Loss per share (AED)	**(0.15)**	(0.12)

The weighted average number of shares was reduced by the purchase of own shares for the proposed employee stock option plan during the year 2008 (note 26).

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.

12 CASH AND CASH EQUIVALENTS

	2010 *AED'000*	*2009* *AED'000*
Cash in hand	**59**	67
Current accounts	**572,852**	649,369
Deposits with banks	**127,981**	149,620
Cash and balances with banks	**700,892**	799,056
Less: Short term financing	**(55,613)**	(114,633)
Less: Deposits maturing after 1 year	**(35,000)**	(35,000)
Cash and cash equivalents	**610,279**	649,423

Fixed deposit maturing after one year represents 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 96.15 million (2009: AED 161.78 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 24).

13 ISLAMIC FINANCING AND INVESTING ASSETS

	2010 *AED'000*	*2009* *AED'000*
Financing assets		
Ijarah assets	**6,257,888**	5,647,300
Forward Ijarah	**2,225,147**	3,227,848
Real estate Murabaha	**54,839**	66,472
Murabaha properties held for trading	**-**	396,171
Vehicle Murabaha	**15,291**	22,619
	8,553,165	9,360,410
Allowance for impairment (*)	**(576,194)**	(354,369)
Total financing assets	**7,976,971**	9,006,041
Investing assets:		
Mudaraba	**-**	4,383
Others	**950**	13,934
Total investing assets	**950**	18,317
	7,977,921	9,024,358

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

	2010 *AED'000*	*2009* *AED'000*
Within U.A.E.	**7,876,266**	8,899,184
Outside U.A.E.	**101,655**	125,174
	7,977,921	9,024,358

13 ISLAMIC FINANCING AND INVESTING ASSETS (continued)

The movement in the allowance for impairment is as follows:

	2010 *AED'000*	*2009* *AED'000*
At 1 January	**354,369**	128,422
Movement during the year	**221,825**	225,947
At 31 December	**576,194**	354,369

(*) Allowance for impairment includes AED 126.36 million (2009: AED 12.47 million) in respect of profit in suspense for impaired financing and investing assets.

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

14 AVAILABLE FOR SALE INVESTMENTS

	UAE		*International*		*Total*	
	2010 *AED'000*	*2009* *AED'000*	*2010* *AED'000*	*2009* *AED'000*	*2010* *AED'000*	*2009* *AED'000*
Equities and Funds (unquoted) (level 3)	**14,179**	15,148	**70,433**	69,198	**84,612**	84,346

Unquoted available-for-sale investments have been fair valued using techniques which use inputs that are not based on observable market data.

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

	2010 *AED'000*	*2009* *AED'000*
At 1 January	**68,033**	68,027
Charge for the year	**5,029**	5,363
Less: Released upon disposal of investments	-	(5,357)
At 31 December	**73,062**	68,033

15 ADVANCES FOR INVESTMENT PROPERTIES

	2010 *AED'000*	*2009* *AED'000*
At 1 January	**781,460**	-
Reclassified from properties held for trading(*)	-	1,146,754
Restructuring during the year	-	476,907
Advances adjusted upon restructuring of purchase agreement	**(63,050)**	(172,198)
Transfer to investment properties (note 16)	**(132,440)**	(865,482)
Advances paid during the year	**84,118**	195,479
At 31 December	**670,088**	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 35.93 million (31 December 2009: AED 224.75 million) in accordance with the agreements with the seller of these real estate projects.

In view of the fact that only limited transactions 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 2010.

The Group has not paid amounts totaling AED 9.28 million (2009: AED 40.86 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 nonpayment will not have any adverse impact on the financial statements of the Group.

During the year the Group cancelled sale transactions for certain customers and reversed a previously recorded gain of AED 37.74 million (2009: AED 20.08 million) from such transactions. Further the Group has recorded a loss of AED 44.24 million on consolidation of certain real estate developments. During 2009, the Group restructured a previously recorded sale transaction with a related party and accordingly reversed an earlier recorded gain amounting to AED 48.14 million.

(*) The Group changed its intention in respect of property rights in QI 2009. These assets were previously held for trading as at 31 December 2008. They were reclassified as advance for investment properties effective from 1 January 2009, as land being acquired would now be held for long term capital appreciation and buildings for renting out.

16 INVESTMENT PROPERTIES

	2010 *AED'000*	*2009* *AED'000*
At 1 January	**3,086,261**	-
Reclassified from properties held for trading(*)	-	2,888,296
Transfer from advance for investment properties (note 15)	**132,440**	865,482
Cancellation of sale transactions during the year	**117,933**	112,153
Property relinquished during the year	**(18,970)**	(766,902)
Cost of properties sold during the year	**(9,593)**	(22,854)
Foreign exchange fluctuation	**(19,626)**	10,086
At 31 December	**3,288,445**	3,086,261

16 INVESTMENT PROPERTIES (continued)

(*) The Group changed its intention in respect of properties in QI 2009. These assets were previously held for trading as at 31 December 2008. They were reclassified as investment properties effective 1 January 2009, as land would now be held for long term capital appreciation and buildings for renting out.

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

	2010 AED'000	*2009 AED'000*
Reversal of gain on cancellation of sale of investment properties	-	(18,149)
Income from cancellation of sale transactions	**9,035**	11,902
Gain on sale of investment properties	**207**	4,898
	9,242	(1,349)

In accordance with its accounting policy, the Group should carry investment properties at fair value, which reflects market conditions at the reporting date. 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 2010.

Amounts totaling AED 65.16 million (2009: AED: 68.89 million) are payable in respect of properties purchased by the Group and are included in liabilities.

Investment properties as at 31 December 2010 include amounts paid towards the purchase of a piece of land in Egypt by one of the Group's subsidiaries amounting to AED 335.94 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 2010. 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.

17 INVESTMENTS IN ASSOCIATES

	Percentage holding		*2010*	*2009*
	2010	*2009*	*AED '000*	*AED'000*
Amlak International for Real Estate, Saudi Arabia	**23.75%**	23.75%	**231,501**	226,534
Landmark Properties	**30.00%**	30.00%	-	5,098
Amlak Jordan	-	23.42%	-	1,251
Amlak Qatar	-	40.00%	-	6,026
			231,501	238,909

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

	2010 AED'000	*2009 AED'000*
Share of associates' net assets:		
Assets	**232,628**	253,381
Liabilities	**(1,127)**	(21,071)
Net assets	**231,501**	232,310
Share of associates' revenue and results:		
Revenue	**16,591**	11,095
Results	**2,497**	(6,097)

18 OTHER ASSETS

	2010 *AED'000*	*2009* *AED'000*
Prepayments	**1,906**	2,218
Receivable from broking activities	**29,350**	73,547
Income receivable	**868**	361
Due from related parties (note 32)	**10,314**	10,622
Long term receivable from developer	**97,176**	92,570
Property maintenance fee receivables	**11,330**	12,747
Others	**8160**	11,737
	159,104	203,802

Long term receivable from a developer represents profit free amounts due in 2014 as a result of restructuring of a property purchase agreement. These amounts will be received subject to fulfillment of certain terms and conditions agreed with the developer. Being long term in nature, the carrying value of these receivable represent the present value at the reporting date..

These have been presented net as follows:

	2010 *AED'000*	*2009* *AED'000*
Gross balance as at 31 December	**120,911**	120,911
Unamortised portion of discount upon fair valuation of long term receivables	**(23,735)**	(28,341)
	97,176	92,570

19 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 2010	20,911	33,232	706	54,849
Additions during the year	-	310	-	310
Transfers	1,693	(1,693)	-	-
Disposals during the year	(244)	(1,387)	(89)	(1,720)
At 31 December 2010	**22,360**	**30,462**	**617**	**53,439**
Accumulated depreciation:				
At 1 January 2010	11,129	25,231	377	36,737
Depreciation charge for the year	2,941	5,518	161	8,620
Transfers	1,255	(1,255)	-	-
Disposals during the year	(82)	(951)	(79)	(1,112)
At 31 December 2010	**15,243**	**28,543**	**459**	**44,245**
Net book value:				
At 31 December 2010	**7,117**	**1,919**	**158**	**9,194**

19 FURNITURE, FIXTURES AND OFFICE EQUIPMENT (continued)

	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	20,911	33,232	706	54,849
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	11,129	25,231	377	36,737
Net book value:				
At 31 December 2009	9,782	8,001	329	18,112

20 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 was listed on Dubai Financial Market. The Sukuk represented ownership of certain financing and investing assets located in Dubai with carrying value equal to the outstanding unredeemed Sukuk amount (note 13). During the year, the final installment due on the sukuk was settled.

21 INVESTMENT DEPOSITS AND OTHER ISLAMIC FINANCING

		2010 AED'000	*2009 AED '000*
a)	*Deposits through Amlak Real Estate Fund:*		
	At 1 January	-	211,640
	Earned profit	-	865
	Payments/transfer during the year	-	(212,505)
	At 31 December	-	-
b)	Mudaraba	538,693	538,693
	Murabaha	420,269	420,269
	Wakala	8,031,666	8,158,741
	Others	1,730,300	1,920,452
		10.720,928	11,038,155
	Anticipated Profits payable on above	61,310	70,552
		10,782,238	11,108,707

During 2009,Amlak Real Estate Fund was fully liquidated.

21 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 expected 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 Sharia compliant investment transaction expected to generate profit for the Muwakkil.. Any profit exceeding the expected profit after deduction of wakeel fee is allowed to be kept by the Group as an incentive.

22 OTHER LONG TERM FINANCING

	2010 AED'000	*2009 AED'000*
ELBaraka bank (note A)	**21,896**	42,883
National Bank for Development (note B)	**29,825**	41,890
Istisna – Forward Ijarah financing by subsidiary (note C)	**35,225**	35,872
Total	**86,946**	120,645

A) ELBaraka Bank

On 12 December 2007, ELBaraka Bank (formerly '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.

B) 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.

22 OTHER LONG TERM FINANCING (continued)

C) Istisna– Forward Ijarah financing

During 2008, a subsidiary entered into an Istisna – Forward Ijarah arrangement with an Islamic bank to finance the purchase of office condominium units in a property which is currently being constructed. The total amount under the facility is AED 53.29 million of which total payments made towards the construction cost by the Islamic bank as of 31 December 2010 are AED 30.04 million. Also, an additional amount calculated on disbursements during the construction period till 31 December 2010 has been included.

Subsequent to completion and delivery, it will eventually be converted into an Ijarah facility upon the handover of the office condominium units to the Group.

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

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

23 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2010 *AED'000*	*2009* *AED'000*
At 1 January	**3,707**	3,623
Provided during the year	**1,385**	1,298
Paid during the year	**(1,507)**	(1,214)
At 31 December	**3,585**	3,707

24 OTHER LIABILITIES

	2010 *AED'000*	*2009* *AED'000*
Accrued expenses	**8,190**	8,651
Payable under escrow accounts (*)	**96,154**	161,777
Amounts payable to customers for broking activities	**21,907**	57,894
Advances received from customers for purchase of properties	**11,184**	29,441
Land department fees payable	**31,577**	39,910
Brokerage payable	**5,557**	4,845
Due to related parties (note 32)	**862**	1,272
Dividend payable	**7,953**	8,059
Other payables	**45,085**	32,639
	228,469	344,488

(*)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.

25 SHARE CAPITAL

	2010 *AED'000*	*2009* *AED'000*
Issued and fully paid		
1,500,000,000 shares of AED 1 each (31 December 2009:1,500,000,000 ordinary shares of AED 1 each)	**1,500,000**	1,500,000

26 EMPLOYEE STOCK OPTION PLAN SHARES

During 2008, the Group purchased 25 million of its shares, equivalent to 1.67% of the issued shares. These shares are recorded in the statement of financial position as employee stock option plan shares within equity, as the Group is planning to introduce such a plan. The value of these shares as at 31 December 2010 based on the latest price quoted prior to the suspension of trading is AED 1.02 per share.

27 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is to be 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 (2009: AED nil).

28 GENERAL RESERVE

As required by the Company's Articles of Association, 10% of the profit for the year is to be transferred to general reserve. As per the Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors. As the Group incurred a loss, no amounts have been transferred to the general reserve for the current year (2009: AED nil).

29 SPECIAL RESERVE

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

30 FOREIGN CURRENCY TRANSLATION RESERVE

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

31 SEGMENTAL INFORMATION

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

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

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

2010:

	Retail *AED'000*	*Real Estate Investment* *AED'000*	*Corporate Investment & Others* *AED'000*	*Total* *AED'000*
Operating income	**606,801**	**(49,055)**	**28,903**	**586,649**
Distribution to depositors/Investors	**(299,326)**	**(131,121)**	**(21,350)**	**(451,797)**
Allowances for impairment	**(233,986)**	**13,525**	**(9,021)**	**(229,482)**
Expenses (including allocated expenses)	**(83,793)**	**(20,488)**	**(26,668)**	**(130,949)**
Share of results of associates	**-**	**-**	**2,497**	**2,497**
Segment results	**(10,304)**	**(187,139)**	**(25,639)**	**(223,082)**
Share of non controlling interest				**4,080**
				(219,002)

2009:

	Retail *AED'000*	*Real Estate Investmentl* *AED'000*	*Corporate Investment & others* *AED'000*	*Total* *AED'000*
Operating income	708,182	(14,939)	68,860	762,103
Distribution to depositors/ Investors	(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	89,393	(234,573)	(10,398)	(155,578)
Share of non controlling interest				(21,795)
				(177,373)

31 SEGMENTAL INFORMATION (continued)

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

2010:

	Retail AED'000	*Real Estate Investment AED'000*	*Corporate Investment & Others AED'000*	*Total AED'000*
Segment assets	**8,291,077**	**3,832,755**	**997,925**	**13,121,757**
Segment liabilities	**6,381,550**	**3,739,047**	**1,104,533**	**11,225,130**
Depreciation	-	-	**8,620**	**8,620**
Capital expenditure	-	-	**310**	**310**

2009:

	Retail AED'000	*Real Estate Investment AED'000*	*Corporate Investment & Others AED'000*	*Total AED'000*
Segment assets	9,024,358	3,867,721	1,344,619	14,236,698
Segment liabilities	7,378,383	3,533,928	1,196,832	12,109,143
Depreciation	-	-	10,979	10,979
Capital expenditure	-	-	6,573	6,573

32 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 2010

	Associated companies AED'000	*Major shareholders AED'000*	*Directors and senior management AED'000*	*Other related parties AED'000*	*2010 Total AED'000*
Islamic Financing and investing assets	-	-	**56,965**	**33,776**	**90,741**
Investment deposits	-	**848,038**	-	**982,569**	**1,830,607**
Other assets (note 18)	**9,621**	**693**	-	-	**10,314**
Other liabilities (note 24)	-	**862**	-	-	**862**

31 December 2009

	Associated companies AED'000	*Major shareholders AED'000*	*Directors and senior management AED'000*	*Other related parties AED'000*	*2009 Total AED'000*
Islamic Financing and investing assets	-	-	72,899	8,982	81,881
Investment deposits	-	833,284	-	743,886	1,577,170
Other assets (note 18)	9,918	698	-	6	10,622
Other liabilities (note 24)	-	1,272	-	-	1,272

32 RELATED PARTY TRANSACTIONS (continued)

Outstanding balances at the year-end arose in the normal course of business. For the year ended 31 December 2010, the Group has not recorded any impairment of amounts owed by related parties (2009: nil).

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

31 December 2010

	Major shareholders AED'000	***Directors and senior management AED'000***	***Other related parties AED'000***	***2010 Total AED'000***
Income Islamic from financing and investing assets	**-**	**2,259**	**2,179**	**4,438**
Distribution to depositors	**41,073**	**-**	**41,029**	**82,102**

31 December 2009

	Major shareholders AED'000	*Directors and senior management AED'000*	*Other related parties AED'000*	*2009 Total AED'000*
Income from Islamic 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

Compensation of key management personnel

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

	2010 AED'000	*2009 AED'000*
Salaries and other benefits	**14,065**	16,320
Employee terminal benefits	**683**	925
	14,748	17,245

33 COMMITMENTS AND CONTINGENCIES

Commitments

		2010 AED'000	*2009 AED'000*
Irrevocable commitments to extend credit	33.1	**1,717,861**	2,434,354
Commitments for investment properties	33.2	**35,932**	224,752
		1,753,793	2,659,106

33.1 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.

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

33 COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

a) A legal case has been filed against the Group by a party for whom the Group was acting as an agent claiming amounts totaling to AED 51.81 million (31 December 2009: nil). No provision has been made for this as at 31 December 2010 as management believes that the claim is legally baseless and will not result in any material liability for the Group.

b) In 2008, two parties in Saudi Arabia filed claims against the subsidiary of the Group demanding a total amount of AED 13.12 million, inclusive of remedies and lawyers' fees, from the subsidiary. The Committee for the Resolution of Securities Disputes in Saudi Arabia had dismissed the cases for lack of jurisdiction. In 2009, the complainants filed another case against the subsidiary with the Board of Grievances (the "Board") in Saudi Arabia which was also dismissed. During the current year the complainants have filed an appeal with the Board. The Group's subsidiary has been advised by its legal counsel that it is possible, but not probable, that the action will succeed. Accordingly no provision for any liability has been made in these financial statements.

c) The Group has issued guarantees on behalf of customers amounting AED 3.05 million (31 December 2009: AED 12.06 million).

One of the Group subsidiaries has contingent liabilities in respect of guarantees, issued by its banker amounting to AED 20 million (31 December 2009: AED 100 million) in favour of Dubai Financial Market and Abu Dhabi Securities Market.

34 RISK MANAGEMENT

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

34 RISK MANAGEMENT (continued)

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

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

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

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

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

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

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 risk is mainly related to the property market in the UAE, in particular in Dubai.

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

34 RISK MANAGEMENT (continued)

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 13.

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.

QUANTITATIVE INFORMATION

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross.

	Gross maximum exposure 2010 AED'000	*Gross maximum exposure 2009 AED'000*
Balances with banks (note 12)	**700,833**	798,989
Islamic Financing and investing assets (note 13)	**7,977,921**	9,024,358
Trading securities	**-**	394
Available-for-sale investments (note 14)	**84,612**	84,346
Advances for investment properties (note 15)	**670,088**	781,460
Investments in associates (note 17)	**231,501**	238,909
Other assets (excluding prepayment) (note 18)	**157,198**	201,584
Total (A)	**9,822,153**	11,130,040
Irrevocable commitments to extend credit (note 33)	**1,717,861**	2,434,354
Total (B)	**1,717,861**	2,434,354
Total credit risk exposure (A + B)	**11,540,014**	13,564,394

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.

34 RISK MANAGEMENT (continued)

Credit risk (continued)

31 December 2010

	Carrying amount	*Neither impaired nor past due on reporting date*			*Past due but not impaired on reporting date*				*Individually impaired on reporting date*		
		Low/fair risk	***Watch list***	***Re-negotiated terms***	***<30***	***30-60***	***61-90 days***	***>90 days***	***Gross amount***	***Allowance for impairment***	***Carrying amount***
	AED'000	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***	***AED'000***
Balances with banks	700,833	700,833	-	-	-	-	-	-	-	-	-
Advances for investment properties	670,088	670,088	-	-	-	-	-	-	-	-	-
Islamic Financing and investing assets	7,977,921	4,562,142	878,229	117,507	807,598	734,129	281,392	291,182	541,943	(236,201)	305,742
Trading securities	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale investments	84,612	84,612	-	-	-	-	-	-	73,062	(73,062)	-
Investments in associates	231,501	231,501	-	-	-	-	-	-	-	-	-
Other assets (other than prepayment)	157,198	60,022	-	97,176	-	-	-	-	-	-	-
	9,822,153	**6,309,198**	**878,229**	**214,683**	**807,598**	**734,129**	**281,392**	**291,182**	**615,005**	**(309,263)**	**305,742**

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	*Watch list*	*Re-negotiated terms*	*<30*	*30-60*	*61-90 days*	*>90 days*	*Gross amount*	*Allowance for impairment*	*Carrying amount*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Balances with banks	798,989	798,989	-	-	-	-	-	-	-	-	-
Advances for investment properties	781,460	781,460	-	-	-	-	-	-	-	-	-
Islamic 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	109,014	-	92,570	-	-	-	-	-	-	-
	11,130,040	7,571,7433	772,707	452,522	954,580	739,256	304,842	70,130	442,406	(177,836)	264,570

* - In addition to the specific provision as above, the Group has also made collective impairment of AED 200.66 million (2009: AED 215.33 million) on financing and investing assets and profit suspended on hold project amounting to AED 102.20 million (2009: AED NIL)

34 RISK MANAGEMENT (continued)

Collateral and other credit enhancements
The finance provided by the Group is completely asset backed in accordance with the principles of Shariah. Properties are funded based on "Group's Appraised Value". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Group might have lower rates than the developers based on the Group's view of the property. In the case of older properties the appraised value is 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.

		2010		*2009*	
	% 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%**	**-**	**± 3,134**	-	± 3,137
Saudi Riyals (SAR)	**± 5%**	**± 11,575**	**-**	± 11,327	-

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.

34 RISK MANAGEMENT (continued)

Profit rate risk (continued)
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 2010. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets.

	2010 *AED '000*	*2009* *AED '000*
Effect of a ± 50 bps change in EIBOR/LIBOR	**∓ 12,840**	∓ 10,514
Effect of a ± 100 bps change in EIBOR	**∓ 25,679**	∓ 21,027

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

Early settlement risk
Early settlement risk is the risk that the Group will incur a financial loss because its counterparties settle earlier 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 Governmental Committee, the Group expects that many of its depositors will roll over the deposits on their respective maturity dates.

34 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2010

	Expected Profit rate %	*Up to 1 year* — *Less than 3 months AED'000*	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Investment deposits	3.125-6%	9,133,397	1,555,030	155,759	10,844,186	-	-	-	10,844,186
Other long term financing	6.5-11%	2,766	2,405	14,054	19,225	76,436	-	-	95,661
		9,136,163	1,557,435	169,813	10,863,411	76,436	-	-	10,939,847
OFF BALANCE SHEET ITEMS									
Commitments		1,689,495	20,503	23,899	1,733,897	19,896	-	-	1,753,793

At 31 December 2009

	Expected Profit rate %	*Up to 1 year* — *Less than 3 months AED'000*	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
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

34 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 2010	*Up to 1 year*							
	Less than 3 months AED'000	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Assets								
Cash and deposits with banks	654,642	-	11,250	665,892	35,000	-	-	700,892
Investment Properties	-	-	-	-	-	3,288,445	-	3,288,445
Advance for Investment Property	-	-	-	-	-	670,088	-	670,088
Islamic Financing and investing assets	167,468	148,447	306,907	622,822	2,572,378	4,782,721	-	7,977,921
Available-for-sale investments	-	37,789	46,823	84,612	-	-	-	84,612
Investments in associates	-	-	-	-	-	-	231,501	231,501
Other assets	27,013	169	34,847	62,029	97,176	-	-	159,205
Furniture, fixture and equipment	-	-	-	-	-	-	9,093	9,093
Total assets	**849,123**	**186,405**	**399,827**	**1,435,355**	**2,704,554**	**8,741,254**	**240,594**	**13,121,757**
Liabilities								
Investment deposits	9,093,627	1,536,040	152,571	10,782,238	-	-	-	10,782,238
Payables for properties	-	65,160	-	65,160	-	-	-	65,160
Short term financing	55,613	-	-	55,613	-	-	-	55,613
Other long term Islamic financing	5,237	4,788	10,997	21,022	65,924	-	-	86,946
Zakat payable	3,119	-	-	3,119	-	-	-	3,119
Employees' end of service benefits	-	-	-	-	-	-	3,585	3,585
Other liabilities	182,532	4,467	41,470	228,469	-	-	-	228,469
Total liabilities	**9,340,128**	**1,610,455**	**205,038**	**11,155,621**	**65,924**	**-**	**3,585**	**11,225,130**
Commitments	1,689,495	20,503	23,899	1,733,897	19,896	-	-	1,753,793
Net liquidity gap	**(10,180,500)**	**(1,444,553)**	**170,890**	**(11,454,163)**	**2,618,734**	**8,741,254**	**237,009**	**142,834**

34 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities (continued)

At 31 December 2009	*Up to 1 year*							
	Less than 3 months AED'000	*3 months to 6 months AED'000*	*6 months to 1 year AED'000*	*Total up to 1 year AED'000*	*1 year to 5 years AED'000*	*Over 5 years AED'000*	*Items with no maturity AED'000*	*Total AED'000*
Assets								
Cash and deposits with banks	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
Islamic 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	59,611	5,355	16,065	81,031	79,600	-	-	160,631
Short term financing	114,633	-	-	114,633	-	-	-	114,633
Other long term Islamic 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)

34 RISK MANAGEMENT (continued)

Liquidity risk (continued)
As discussed in note 1 to the consolidated financial statements, the Board of Directors, along with the Governmental Committee is 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 2010 and 31 December 2009. Capital comprises share capital, employee stock option plan shares, statutory reserve, general reserve, special reserve, cumulative changes in fair value, foreign currency translation reserve, and accumulated and is measured at AED 1,608,665 thousand as at 31 December 2010 (31 December 2009: AED 1,840,927 thousand).

35 SUBSEQUENT EVENTS

During the year, one of the Group subsidiaries' applied to Securities and Commodities Authority (SCA) for the temporary suspension of brokering license. SCA approved the temporary suspension of the brokering license in January 2011.