MAWARID FINANCE P.J.S.C.

Report and consolidated financial statements for the year ended 31 December 2011

MAWARID FINANCE P.J.S.C.

Contents

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mawarid Finance P.J.S.C.
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mawarid Finance P.J.S.C. (the "Company") and its Subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mawarid Finance P.J.S.C. and its Subsidiaries, as at 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations.

Deloitte & Touche (M.E.)

Saba Y. Sindaha
Registration Number 410

26 March 2012

Consolidated statement of financial position
As at 31 December 2011

	Notes	**2011** **AED'000**	2010 AED'000 (Restated)	2009 AED'000 (Restated)
ASSETS				
Cash and balances with the Central Bank of U.A.E.		**13,918**	617	3,063
Balances and deposits with banks and other financial institutions	5	**304,175**	243,550	212,127
Financing and investing assets	6	**415,980**	474,867	515,595
Investment properties	7	**87,702**	85,326	75,975
Investment in securities	8	**145,396**	189,539	212,119
Investment in associates	9	**126,098**	38,634	41,240
Goodwill		**-**	-	6,437
Property and equipment	10	**76,037**	88,224	92,406
Other assets	11	**25,849**	37,385	63,774
Total assets		**1,195,155**	1,158,142	1,222,736
EQUITY AND LIABILITIES				
Equity				
Share capital	14	**1,000,000**	1,000,000	1,000,000
Treasury shares	14	**(6,000)**	(6,000)	(6,000)
Statutory reserve	15	**13,400**	13,319	13,319
General reserve	16	**12,822**	12,822	12,822
Investment revaluation reserve		**(19,869)**	(12,933)	(10,997)
(Accumulated losses) / retained earnings		**(38,532)**	(42,303)	3,999
Attributable to equity holders of the Parent		**961,821**	964,905	1,013,143
Non-controlling interests		**1,100**	4,450	12,648
Total equity		**962,921**	969,355	1,025,791
Liabilities				
Wakala deposits	12	**129,988**	152,408	151,835
Other liabilities	13	**102,246**	36,379	45,110
Total liabilities		**232,234**	188,787	196,945
Total equity and liabilities		**1,195,155**	1,158,142	1,222,736

Omran Al-Owais
Chairman

Mohamed Al Nuaimi
Director & Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of income
For the year ended 31 December 2011

	Notes	2011 AED'000	2010 AED'000 (Restated)
Income from financing and investing assets	17	**37,851**	40,996
Income on Islamic deposits and Wakala placements	18	**6,826**	7,448
Changes in fair value of investment properties	7	**(8,282)**	(5,234)
Net loss on investments carried at FVTPL		**(2,549)**	(3,767)
Share of profit/(loss) from associates	9	**12,505**	(2,606)
Other income	19	**5,318**	3,694
Operating income		**51,669**	40,531
General and administrative expenses	20	**(38,806)**	(36,543)
Finance costs		**(1,370)**	(1,794)
Provision for impairment	21	**(8,802)**	(55,130)
Profit/(loss) before depositors' share of profit		**2,691**	(52,936)
Depositors' share of profit		**(1,880)**	(4,072)
Profit/(loss) for the year		**811**	(57,008)
Attributable to:			
Equity holders of the Parent		**3,852**	(46,302)
Non-controlling interests		**(3,041)**	(10,706)
		811	(57,008)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2011

	2011 AED'000	2010 AED'000 (Restated)
Profit/(loss) for the year	**811**	(57,008)
Other comprehensive (loss)/gain		
Change in the fair value of available for sale investments	**(7,245)**	572
Total comprehensive loss for the year	**(6,434)**	(56,436)
Total comprehensive loss attributable to:		
Equity holders of the Parent	**(3,084)**	(48,238)
Non-controlling interests	**(3,350)**	(8,198)
Total comprehensive loss for the year	**(6,434)**	(56,436)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2011

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Investment revaluation reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Attributable to equity holders of the parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 31 Dec 2009	1,000,000	-	13,319	12,822	(10,997)	4,622	1,019,766	12,648	1,032,414
Effect of Error (Note 28)	-	-	-	-	-	(623)	(623)	-	(623)
Treasury shares (Note 28)		(6,000)	-	-	-	-	(6,000)	-	(6,000)
Balance at 31 December 2009 - as restated	1,000,000	(6,000)	13,319	12,822	(10,997)	3,999	1,013,143	12,648	1,025,791
Net loss for the year – as restated	-	-	-	-	-	(46,302)	(46,302)	(10,706)	(57,008)
Other comprehensive loss – as restated	-	-	-	-	(1,936)	-	(1,936)	2,508	572
Total comprehensive loss for the year	-	-	-	-	(1,936)	(46,302)	(48,238)	(8,198)	(56,436)
Balance at 31 December 2010	1,000,000	(6,000)	13,319	12,822	(12,933)	(42,303)	964,905	4,450	969,355
Net profit for the year	-	-	-	-	-	3,852	3,852	(3,041)	811
Other comprehensive loss	-	-	-	-	(6,936)	-	(6,936)	(309)	(7,245)
Transfer to statutory reserve	-	-	81	-	-	(81)	-	-	-
Total comprehensive loss for the year	-	-	81	-	(6,936)	3,771	(3,084)	(3,350)	(6,434)
Balance at 31 December 2011	**1,000,000**	**(6,000)**	**13,400**	**12,822**	**(19,869)**	**(38,532)**	**961,821**	**1,100**	**962,921**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2011

	2011 AED'000	2010 AED'000 (Restated)
Cash flows from operating activities		
Profit/(loss) for the year	**811**	(57,008)
Adjustment for:		
Depreciation of property and equipment	**4,964**	5,213
Income on Islamic deposits and Wakala placements	**(6,826)**	(7,448)
Change in fair value of investment properties	**8,282**	5,234
Loss on disposal of investment in securities	**-**	3,218
Depositors' share of profit	**1,880**	4,072
Unrealised loss on investments carried at FVTPL	**2,549**	546
Share of (profit)/loss in associates	**(12,505)**	2,606
Provision for impairment on financing and investing assets	**5,694**	2,448
(Reversal)/provision for impairment on brokerage operation receivables	**(2,473)**	19,186
Provision for impairment on advances against property	**-**	7,465
Impairment of available for sale investments	**5,581**	19,594
Impairment of goodwill	**-**	6,437
Finance costs	**1,370**	1,794
	9,327	13,357
Changes in operating assets and liabilities		
Decrease in financing and investing assets	**53,194**	38,280
Decrease/(increase) in other assets	**14,011**	(260)
(Decrease)/increase in Wakala deposits	**(22,420)**	573
Increase /(decrease) / in other liabilities	**82,017**	(11,947)
Cash generated from operations	**136,129**	40,003
Depositors' share of profit paid	**(1,880)**	(4,072)
Finance cost paid	**(1,370)**	(1,794)
Net cash from operating activities	**132,879**	34,137
Cash flow from investing activities		
Purchase of property and equipment	**(501)**	(1,031)
Net movement in investment in securities	**28,766**	(208)
Purchase of investment properties	**(2,934)**	(14,585)
Purchase of investment in an associate	**(74,960)**	-
Decrease in Islamic deposits	**(67,500)**	(37,000)
Income received on Wakala placements	**6,826**	7,448
Net cash used in investing activities	**(110,303)**	(45,376)
Net increase/(decrease) in cash and cash equivalents	**22,576**	(11,239)
Cash and cash equivalents at the beginning of the year	**133,017**	144,256
Cash and cash equivalents at the end of the year (Note 22)	**155,593**	133,017

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2011

1 Establishment and operations

Mawarid Finance P.J.S.C (the "Company") was registered on 4 December 2006 as a Private Joint Stock Company in accordance with the U.A.E. Federal Law No 8 of 1984, as amended. The address of the Company's registered office is P.O. Box 212121, Dubai, United Arab Emirates.

The Company is licensed by the Central Bank of the U.A.E. as a finance company and is primarily engaged in Islamic Shari'a compliant financing and investment activities involving products such as Ijara, Forward Ijara, Murabaha, Musharaka and Wakala. The activities of the Company are conducted in accordance with Islamic Shari'a, which prohibits usury, and within the provisions of its Memorandum and Articles of Association.

The consolidated financial information includes the results of the operations of the Company and its subsidiaries (collectively referred to as "the Group"). Details of the Company's subsidiaries are as follows:

Name	Holding	Country of incorporation	Principal activities
Al Jazeera Financial Services LLC	55%	U.A.E.	Brokerage business.
MFI Investments LLC	100%	U.A.E.	Holding company.
IFS (FZE)	100%	U.A.E.	Operational services.

2 Adoption of new and revised International Financial Reporting Standards (IFRSs)

2.1 Standards and Interpretations effective for the current year

The following new and revised standards and interpretations have been adopted in the current year with no material impact on the disclosures and amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 24 *Related Party Disclosures* modify the definition of a related party and simplify disclosures for government-related entities.
- Amendments to IAS 32 *Classification of Rights Issues address the classification of certain rights* issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement.* The amendments correct an unintended consequence of IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in the consolidated statement of income.
- Improvements to IFRSs issued in 2010 – Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS34; and IFRIC 13.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 Standards and Interpretations in issue but not yet effective

The Company has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.	1 July 2011
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013
• IFRS 13 *Fair Value Measurement* issued in May 2011, establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income.* The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be classified into those that will and will not subsequently be reclassified to the consolidated statement of income.	1 July 2012

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 Standards and Interpretations in issue but not yet effective (continued)

	Effective for annual periods beginning on or after
• Amendments to IAS 12 *Income Taxes* provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property* by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.	1 January 2013
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine.	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	1 January 2015 (or otherwise when IFRS 9 is first applied)

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 Standards and Interpretations in issue but not yet effective (continued)

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with earlier application permitted.

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that the adoption of the above Standards and Interpretations in future years will have no material impact on the financial statements of the Company in the year of initial application.

3.1 Definitions

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

Shari'a

Shari'a is the Islamic law which is essentially derived from the Quran and Sunnah that governs beliefs and conducts of human beings. The Group, incorporates the Shari'a rules and principles in its activities.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)
3.1 **Definitions** (continued)

Ijarah

An agreement whereby the Company (lessor) purchases or leases an asset according to the customer's request (lessee), based on his promise to lease the asset for a specific period and against certain rental instalments. Ijarah could be ended by transferring the ownership of the asset to the lessee.

Forward Ijarah

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

Murabaha

An agreement whereby the Company sells to a customer a commodity which the Company has purchased based on a promise received from the customer to buy the item purchased according to specific terms and conditions.

Mudaraba

Mudaraba is an agreement between the Company (Raab-ul-Maal) and another party (Mudarib), whereby the Raab-ul-Maal would provide a certain amount of funds, which Mudarib would then invest 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.

Wakala

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

Musharaka

Musharaka is an agreement between the Company and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.

3.2 Significant accounting policies

Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with IFRS.

3.2 Significant accounting policies (continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value.

These consolidated financial statements have been presented in the United Arab Emirates Dirhams ("AED") rounded to the nearest thousand unless specified otherwise, being the financial currency of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

All significant intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's share of equity therein. The interests of non-controlling shareholders are the amounts of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses applicable to the non-controlling interests in excess of the non-controlling shareholders' interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that met the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date.

Goodwill arising on the acquisition of any entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquiree at the date of acquisition.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

3.2 Significant accounting policies (continued)

Business combination (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Foreign currencies

Transactions denominated in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences are recognised in consolidated statement of income in the period in which they arise.

Revenue recognition

Ijarah

Ijarah income is recognised on a time-apportioned basis over the lease term based on the principal amount outstanding.

Murabaha

Murabaha income is recognised on a time-proportion basis over the period of the contract based on the principal amounts outstanding.

Mudaraba

Income or losses on Mudaraba financing are recognised on an accrual 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 reducing balance on a time-apportioned basis that reflects the effective yield on the asset.

Income on deposits and Wakala placements

Income earned on deposits and Wakala placements is recognised on a time proportion basis.

Dividend income

Dividends on equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established.

All other income is recognised when the right to receive is established.

Commission income

Commission income is recognised when related services are rendered.

3.2 Significant accounting policies (continued)

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 Company's Shari'a Supervisory Board.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Investment in associates

An associate is an entity over which the Group has significant influence and that neither a subsidiary nor interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are notrelated to the Group.

Property and equipment

Property and equipment other than free hold land is carried at cost less accumulated depreciation less impairment, if any. Freehold land is not depreciated and carried at cost.

Depreciation is recognised so as to write off the cost (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis as follows:

	Years
Office building	25
Furniture and fixtures	4
Office and IT equipment	3 – 5
Motor vehicles	5

3.2 Significant accounting policies (continued)

Property and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Impairment of tangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also be allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Forfeited income

According to the Shari'a Supervisory Board of the Company, the Group is required to identify any income deemed to be derived from sources not acceptable under Shari'a regulations and to set aside such amount in a separate account used to pay for local social activities.

3.2 Significant accounting policies (continued)

Financial assets

Initial recognition and subsequent measurement

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'financing and investing assets', financial assets at fair value through profit or loss (FVTPL), 'available-for-sale' ("AFS") investments and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financing and investing assets

Financing and investing assets consist of Murabaha receivables, Mudaraba, Musharaka, Wakala arrangements and Ijarah contracts and they are measured at amortised cost less any amounts written off and allowance for impairment losses.

Allowance for impairment is made against financing and investing assets when their recovery is in doubt taking into consideration IAS 39 requirements for fair value measurement. Financing and investing assets are written off only when all possible courses of action to achieve recovery have proved unsuccessful. Losses expected from future events are not recognised.

Individually assessed financing and investing assets

Individually assessed financing and investing assets mainly represent corporate and commercial financing and investing assets which are assessed individually in order to determine whether there exists any objective evidence that they are impaired. They are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Group in accordance with the original contractual terms.

Collectively assessed financing and investing assets

Impairment losses of collectively assessed financing and investing assets include mainly the allowances on financing and investing assets with common features which are assessed on a portfolio basis.

Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment allowance account accordingly. The write-back is recognised in the consolidated statement of income in the period in which it occurs.

3.2 Significant accounting policies (continued)

Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash on hand, non-restricted current accounts with the Central Bank of U.A.E. and amounts due from/to other entities on demand or with an original maturity of three months or less.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when they are either held for trading or designated at FVTPL at inception.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

FVTPL investments are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or profit earned on the financial asset and is included in the consolidated statement of income.

AFS investments

These are non-derivative financial assets that are designated as AFS investments. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the consolidated statement of income.

If an AFS investments is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS investmens are not recognised in the consolidated statement of income. Reversals of impairment losses on debt instruments classified as AFS investments are reversed through the consolidated statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of income.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the financial position date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the consolidated statement of income, and other changes are recognized in equity.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

3.2 Significant accounting policies (continued)

Financial assets (continued)

Receivables

These consist mainly of due from customers (brokerage operation) are stated at amortised cost net of allowance for doubtful debts.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financiang assets asseessed collectivey for impairment, objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity iinstruments, impairment losses previously recognised in the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.2 Significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of income.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, plus direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities, including wakala deposits and account payables are initially measured at fair value, plus transaction costs. Other financial liabilities are subsequently measured at amortised cost.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.2 Significant accounting policies (continued)

Offsetting financial instruments

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

Employees' end of service indemnity

Provision for expatriate employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current basic remuneration and cumulative years of service at the consolidated statement of financial position date.

Defined contribution plan

U.A.E. national employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute 15% of the "contribution calculation salary" of U.A.E. payroll costs to the retirement benefit scheme to fund the benefits. The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated statement of income for the year.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment losses on financing and investing assets

The impairment allowance for financing and investing assets is established through charges to the consolidated statement of income as specific impairment provisions.

Impairment losses for individually assessed financing and investing assets are determined by an evaluation of exposure on a case-by-case basis. The following factors are considered by management when determining allowance for impairment on individual financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals.
- The Group's ability to enforce its claims on the collaterals and associated cost of litigation.
- The expected time frame to complete legal formalities and disposals of collaterals.

The Company's policy requires regular review of the level of impairment allowances on individual facilities and regular valuation of the collateral and its enforceability.

Impaired financing and investing assets continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Valuation of unquoted equity investments

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

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

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

Classification of investments

Management decides on acquisition of an investment whether it should be classified as carried at FVTPL or AFS investments.

The Group classifies investments as FVTPL if they are acquired primarily for the purpose of making a short term profit by the dealers. Changes in fair values are reported as part of the consolidated statement of income.

All other investments are classified as AFS investments.

Impairment of investments

The Group treats AFS 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. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Critical judgment in applying the Group's accounting policies

Useful life of property and equipment

The costs of items of property and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- expected usage of the assets;
- expected physical wear and tear, which depends on operational and environmental factors; and
- legal or similar limits on the use of the assets.

Management considers the depreciation method utilised reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group. Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives as these have been deemed to be immaterial.

5 Balances and deposits with banks and other financial institutions

	2011 AED'000	2010 AED'000	2009 AED'000
Current accounts	**6,675**	23,550	15,127
Deposits with Islamic institutions	**297,500**	220,000	197,000
	304,175	243,550	212,127

Deposits with Islamic institutions mature within 3 months from the date of deposit, except for an amount of AED 162.5 million (2010 and 2009: 95 million and 58 million respectively) which matures after 3 months. Average profit rate on these deposits ranges from 2.1% to 4.0% (2010: 3.1% to 5.4%, 2009: 4.5% to 5.3%) per annum.

All deposits and amounts are held with financial institutions within the United Arab Emirates.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

6 Financing and investing assets

	2011 AED'000	2010 AED'000 (Restated)	2009 AED'000 (Restated)
Financing			
Ijarah	**187,963**	199,648	182,078
Forward Ijarah	**107,164**	110,253	138,889
Vehicle Murabaha	**17,545**	19,188	31,775
Plot Murabha	**14,870**	22,119	23,592
Home Murabaha	**-**	203	435
Commodity Murabaha	**96,534**	124,480	132,210
	424,076	475,891	508,979
Provision for impairment	**(13,508)**	(7,814)	(5,366)
	410,568	468,077	503,613
Investing			
Musharaka	**5,412**	6,790	11,982
Financing and investing assets - net	**415,980**	474,867	515,595

All financing and investing assets are U.A.E. based.

The movement for provision for impairment is as follows:.

	2011 AED'000	2010 AED'000	2009 AED'000
Individual impairment			
Opening balance	**7,814**	5,366	188
Net movement during the year	**5,694**	2,448	5,178
Closing balance	**13,508**	7,814	5,366

7 Investment properties

	2011 AED'000	2010 AED'000	2009 AED'000
Opening balance	**85,326**	75,975	169,900
Acquired during the year	**2,934**	14,585	4,654
Transfer from/(to) property and equipment (Note 10)	**7,724**	-	(52,324)
Changes in fair value	**(8,282)**	(5,234)	(46,255)
Closing balance	**87,702**	85,326	75,975

8 Investment in securities

	2011 AED'000	2010 AED'000 (Restated)	2009 AED'000 (Restated)
FVTPL investments			
Quoted securities	-	15,444	16,846
AFS investments			
Unquoted securities	**130,141**	171,202	189,977
Quoted securities	**15,255**	2,893	5,296
	145,396	189,539	212,119

During the year management reclassified all FVTPL investments to AFS investments effective from July 1, 2011.

9 Investment in associates

	2011 AED'000	2010 AED'000 (Restated)	2009 AED'000 (Restated)
Carrying value of investments in:			
Dar Al Takaful P.J.S.C (9a)	**38,399**	38,634	41,240
Levant Retail Holdings Limited (9b)	**76,155**	-	-
Naxos Finance Limited (9c)	**11,544**	-	-
	126,098	38,634	41,240

	2011 AED'000	2010 AED'000 (Restated)	2009 AED'000 (Restated)
9(a) Dar Al Takaful P.J.S.C.			
Opening balance	**38,634**	41,240	45,632
Acquisition	**1,482**	-	-
Share in loss for the year	**(1,717)**	(2,606)	(4,392)
Closing balance	**38,399**	38,634	41,240

The fair value of the Group's investment in Dar Al Takaful P.J.S.C. was AED 28.1 million as at December 31, 2011.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

9 Investment in associates (continued)

	2011 AED'000	2010 AED'000	2009 AED'000
9(b) Levant Retail Holdings			
Acquisition	**61,933**	-	-
Share in profit for the year	**14,222**	-	-
Closing balance	**76,155**	-	-
9(c) Naxos Finance Limited			
Acquisition	**11,544**	-	-
Closing balance	**11,544**	-	-

Details of the associates at 31 December 2011 are as follows:

Name of associates	Place of incorporation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Dar Al Takaful P.J.S.C.	United Arab Emirates	35%	35%	Takaful and retakaful (insurance).
Levant Retail Holdings Limited.	United Arab Emirates	35.7%	35.7%	Investment holding Special purpose entity.
Naxos Finance Limited.	Cayman Islands	35.7%	35.7%	Investment holding Special purpose entity.

	2011 AED'000	2010 AED'000 (Restated)	2009 AED'000 (Restated)
Total assets	**596,983**	123,490	106,565
Total liabilities	**(282,555)**	(53,845)	(46,262)
Net assets	**314,428**	69,645	60,303
Group's share of associates' net assets	**111,879**	24,376	19,357

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

10 Property and equipment

	Freehold land AED'000	Office building AED'000	Furniture and fixtures AED'000	Office and IT equipment AED'000	Motor vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
At 1 January 2010	52,324	26,473	4,363	9,290	108	7,724	100,282
Additions during the year	-	-	387	644	-	-	1,031
Transfer	-	7,724	-	-	-	(7,724)	-
Disposals during the year	-	-	(9)	-	-	-	(9)
At 31 December 2010	52,324	34,197	4,741	9,934	108	-	101,304
Additions during the year	-	-	81	414	6	-	501
Transfers to investment property	-	(7,724)	-	-	-	-	(7,724)
Disposals during the year	-	-	-	-	(40)	-	(40)
31 December 2011	**52,324**	**26,473**	**4,822**	**10,348**	**74**	-	**94,041**
Accumulated depreciation							
1 January 2010	-	1,234	1,880	4,667	95	-	7,876
Charge for the year	-	1,709	1,015	2,476	13	-	5,213
Disposals	-	-	(9)	-	-	-	(9)
31 December 2010	-	2,943	2,886	7,143	108	-	13,080
Charge for the year	-	1,838	987	2,138	1	-	4,964
Disposals	-	-	-	-	(40)	-	(40)
31 December 2011	-	**4,781**	**3,873**	**9,281**	**69**	-	**18,004**
Carrying amount							
31 December 2011	**52,324**	**21,692**	**949**	**1,067**	**5**	-	**76,037**
31 December 2010	52,324	31,254	1,855	2,791	-	-	88,224
31 December 2009	52,324	25,239	2,483	4,623	13	7,724	92,406

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

11 Other assets

	2011 AED'000	2010 AED'000 (Restated)	2009 AED'000 (Restated)
Advances paid for the purchase of investment Properties	**-**	710	8,176
Advances to suppliers	**2,581**	451	740
Advances to Etisalat Misr	**3,575**	7,149	7,149
Prepayments	**1,188**	1,760	1,723
Profit receivable	**1,915**	2,129	934
Due from customers brokerage operations - net	**13,152**	12,822	35,049
Other	**3,438**	12,364	10,003
	25,849	37,385	63,774

12 Wakala deposits

Wakala deposits carry profit rates ranging between 1.0% to 3.5% (2010: 1.0% to 4.7%, 2009: 3.5% to 4.5%) per annum and mature between one month to 3 years. Any profit exceeding the expected profit after deduction of Wakala fee may be retained by the Group as an additional incentive.

13 Other liabilities

	2011 AED'000	2010 AED'000	2009 AED'000
Employees' end of service benefits	**2,122**	1,789	1,420
Accounts payable	**1,522**	1,540	11,543
Profit payable	**380**	1,313	1,309
Accrued liabilities	**1,160**	1,699	1,722
Borrowing – subsidiary	**12,098**	16,150	12,934
Purchase consideration due for associates	**73,477**	-	-
Structuring fee on acquisition of associates	**3,673**	-	-
Other	**7,814**	13,888	16,182
	102,246	36,379	45,110

The subsidiary's overdraft was converted to a term loan during the year. The loan is payable in 48 equal monthly installments and secured by personal guarantees of the subsidiary's shareholders.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

13 Other liabilities (continued)

Movement in employees' end of service benefit:

	2011 AED'000	2010 AED'000	2009 AED'000
Opening balance	**1,789**	1,420	876
Charged during the year	**655**	819	845
Payment made during the year	**(322)**	(450)	(301)
Closing balance	**2,122**	1,789	1,420

14 Share capital

	2011 AED'000	2010 AED'000 (restated)	2009 AED'000 (restated)
Authorised issued and paid up capital:			
1 billion ordinary shares of AED 1 each	**1,000,000**	1,000,000	1,000,000
Treasury shares - 6 million ordinary shares of AED 1 each (Note 28)	**(6,000)**	(6,000)	(6,000)

The treasury shares are held by the Group's subsidiary.

15 Statutory reserve

In accordance with Article (82) of Union Law No. 10 of 1980, Federal Commercial Companies Law, the Company has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution.

16 General reserve

In accordance with the Articles of Association of the Company, 10% of the Company's net profit for the year is transferred to the general reserve until the reserve equals to 50% of the paid up share capital. This reserve may be used for purposes determined by the Ordinary General Assembly pursuant to a proposal by the Board of Directors.

17 Income from financing and investing assets

	2011 AED'000	2010 AED'000
Ijarah	21,309	24,402
Musharaka	481	650
Murabaha	16,061	15,944
	37,851	40,996

18 Income from Islamic deposits and Wakala placements

	2011 AED'000	2010 AED'000
Income from Hiba	365	1,184
Income on savings accounts	192	161
Income on Wakala placements	6,269	5,524
Income from Murabaha placements	-	579
	6,826	7,448

19 Other income

	2011 AED'000	2010 AED'000
Processing and other fees	1,023	718
Gain on disposal of AFS investments	425	941
Commission Income	337	1,116
Other	3,533	919
	5,318	3,694

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

20 General and administrative expenses

	2011 AED'000	2010 AED'000
Staff costs	**19,480**	19,965
Depreciation	**4,964**	5,213
Rent expense	**1,554**	1,647
Advertisement and marketing	**286**	923
Repair and maintenance	**1,352**	1,155
Consulting, legal and professional	**1,501**	1,013
Shari'a Supervisory Board fees	**571**	623
Telephone, fax and postage	**1,016**	1,084
Subscription fees	**4,107**	456
Other	**3,975**	4,464
	38,806	36,543

21 Provision for impairment

	2011 AED'000	2010 AED'000 (restated)
Financing and investing assets (Note 6)	**5,694**	2,448
Due from customers brokerage operation - net (Note 11)	**(2,473)**	19,186
Advance against property	**-**	7,465
Goodwill	**-**	6,437
AFS investments	**5,581**	19,594
	8,802	55,130

22 Cash and cash equivalents

	2011 AED'000	2010 AED'000	2009 AED'000
Cash and balances with Central Bank	**13,918**	617	3,063
Current accounts with banks	**6,675**	23,550	15,127
Deposits with Islamic institutions	**297,500**	220,000	197,000
	318,093	244,167	215,190
For the purpose of the consolidated statement of cash flows, cash and cash equivalent exclude:			
Islamic deposits with original maturity of more than 3 months from the date of deposit	**(162,500)**	(95,000)	(58,000)
Borrowing – subsidiary overdraft (Note 13)	**-**	(16,150)	(12,934)
Cash and cash equivalents	**155,593**	133,017	144,256

23 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges.

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

	Key shareholders AED'000	**Directors and key management AED'000**	**Other related parties AED'000**
Year ended 31 December 2011			
Cash and bank balances	**1,397**	**-**	**-**
Financing and investing assets	**-**	**19,186**	**82,179**
Wakala deposits	**-**	**-**	**33,661**
Year ended 31 December 2010			
Cash and bank balances	503	-	-
Financing and investing assets	-	20,263	128,203
Wakala deposits	-	-	45,994

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

	Key shareholders AED'000	**Directors and key management AED'000**	**Other related parties AED'000**
31 December 2011			
Income from financing and investing assets	**110**	**484**	**3,449**
Depositors' share of profits	**-**	**-**	**2,638**
Other income	**-**	**-**	**-**
31 December 2010			
Income from financing and investing assets	-	287	5,301
Depositors' share of profits	-	-	2,768
Other income	-	-	455

23 Related party transactions (continued)

c) Compensation paid to key management personnel of the Group is as follows:

	2011 AED'000	2010 AED'000
Short-term benefits	**2,063**	3,180
Employees' end of service benefits	**136**	107
	2,199	3,287

24 Commitments and contingent liabilities

i) Commitments

	2011 AED'000	2010 AED'000
Irrevocable commitments to extend credit (a)	**43,556**	7,420
Purchase of properties	-	12,496
	43,556	19,916

(a) Irrevocable commitments to extend credit include commitments to extend financing 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.

ii) Contingent liabilities

The Group has issued financial and non-financial guarantees on behalf of some customers amounting to AED 115 million (2010: AED 128 million).

The Company has given a corporate guarantee, issued by a local financial institution, in favour of the Central Bank of the U.A.E. for an amount of AED 35 million (2010: AED 35 million). This guarantee is provided to the Central Bank of the U.A.E. against issuance of the license and management does not anticipate that any material liability will arise.

The Group's subsidiary has issued bank guarantees for an amount of AED 70 million in favour of Dubai Financial Market and Abu Dhabi Stock Exchange.

25 Financial risk management

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

The Group is exposed to credit risk, liquidity risk and market risk. The Group is also subject to operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through committees formed by the board of directors.

Operational risk

The operational risk results from failure of systems, internal processes, people and external interventions in terms of frauds and forgeries. Severity of loss due to operational risk factors is highly dependent on the nature and frequency of failure. The Group gives high priority to the management of operational risk. The foundation of credible operational risk discipline is a robust risk and control self assessment process which ensures that:

- all transactions are properly authorised;
- all transactions are properly recorded;
- assets are safeguarded;
- continuity of business plan are well defined and tested;
- sound ethical standards are adhered to; and
- full compliance to all laws regulations and corporate policies.

The Audit and Compliance Committee, a management committee, conducts risk based audits of all units in the Group on a regular basis.The findings are shared with the Audit Committee and the Audit and Compliance Committee.

The Group maintains a detailed record of operational risk events and resultant losses and ensures proper control mechanism is put in place to avoid recurrence. Zero tolerance for unethical behaviour is part of the overall risk framework.

25 Financial risk management (continued)

Credit risk

Credit risk is the risk of loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's financing and investing assets, Wakala placements and investments. Credit risk can also arise from financial guarantees. Credit risk is the single largest risk for the Group business, management therefore carefully manages its exposure to credit risk.

There are formal procedures to assess and monitor credit risk as part of the process of advancing finance. In addition, management regularly reviews the state of its financing and investing assets and provisions are maintained for exposures specifically identified as doubtful. The credit risk is further managed since financing and investing assets are considered to be secured by ownership, mortgage or control over the assets financed. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding.

The Group's customers are mainly based in the United Arab Emirates. The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Gross maximum exposure		
	2011	2010	2009
	AED'000	AED'000	AED'000
Cash and balances with Central Bank of U.A.E.	**13,918**	617	3,063
Balances and deposits with banks and other financial institutions	**304,175**	243,550	212,127
Financing and investing assets	**415,980**	474,867	515,595
Other assets	**22,080**	34,464	53,135
	756,153	753,498	783,920
Contingent liabilities	**114,981**	127,792	148,449
Commitments	**43,556**	7,420	13,735
	158,537	135,212	162,184

All the assets financed by the Group are within the United Arab Emirates.

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

25 Financial risk management (continued)

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its Financing and investing portfolio. Set out below is an analysis of the gross and net (of allowances for impairment) amounts of impaired assets.

	Due from customers (brokerage operation) 2011 AED'000	**Financing and investing assets 2011 AED'000**	Due from customers (brokerage operation) 2010 AED'000 (Restated)	Financing and investing assets 2010 AED'000 (Restated)	Due from customers (brokerage operation) 2009 AED'000 (Restated)	Financing and investing assets 2009 AED'000 (Restated)
Impaired						
Overdue by 90 days	**-**	**6,082**	-	-	-	180
Overdue by 180 days	**-**	**3,243**	-	609	-	25,561
Overdue by 365 days	**39,838**	**17,712**	41,981	9,562	45,022	354
Gross amount	**39,838**	**27,037**	41,981	10,171	45,022	26,095
Allowance for Impairment	**(26,686)**	**(13,508)**	(29,159)	(7,814)	(9,973)	(5,366)
	13,152	**13,529**	12,822	2,357	35,049	20,729
Past due but not impaired	**-**	**41,551**	-	116,923	-	26,111
Neither past due nor Impaired						
Gross amount	**-**	**360,900**	-	355,587	-	468,755
Carrying amount	**13,152**	**415,980**	12,822	474,867	35,049	515,595

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

25 Financial risk management (continued)

Financing and investing assets with renegotiated terms

Financing and investing assets with renegotiated terms are assets that have been restructured due to deterioration in the customer's financial position. The Group does not usually offer concessions simply because of the customer's financial position. Rather, it reschedules the outstanding to improve the likelihood of collection. Once the financing is restructured, it remains in this category.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, profit rate risk, and equity price risk. Financial instruments affected by market risk include financing and deposits and AFS investments.

The Group has established risk management policies and limits within which exposure to market risk is monitored, measured and controlled. Management is responsible for developing and implementing a 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 value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk on its AFS investment and advances for purchase of shares held in Egyptian Pounds (EGP) and it is also exposed to Euro for its AFS investments. The table below indicates the Group's foreign currency exposure at 31 December, as a result of its financial assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the AED currency rate against the Egyptian Pound and Euro, with all other variables held constant, on the consolidated statement of income.

	Increase/decrease in EGP rate to	**Effect on profit AED'000**
2011	**3%**	**3,608**
2010	3%	3,852
2009	3%	4,053

	Increase/decrease in Euro rate to	**Effect on profit AED'000**
2011	**3%**	**115**
2010	3%	125
2009	3%	338

25 Financial risk management (continued)

Equity price risk

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Shares listed in Security Market	Change in equity price	Net effect on equity AED'000
2011	**10%**	**1,525**
2010	10%	1,833
2009	10%	2,214

Profit rate risk

The Group is exposed to profit rate risk on its profit bearing assets and liabilities (financing and investing assets, bank deposits and Wakala).

The sensitivity of the consolidated statement of income is the effect of the assumed changes in profit rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2011.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in profit rates with all other variable held constant.

	Increase/decrease in basis points	Effect on profit for the year AED'000
2011	**50**	**2,985**
2010	50	2,767
2009	50	2,805

There is no impact on the Group's equity, other than implied effect through profit or loss.

Liquidity risk

Liquidity risk is the risk that a Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The table below summarises the maturity of the Group's financial assets and financial liabilities as at 31 December 2011, 2010 and 2009, based on contractual payment dates:

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

25 Financial risk management (continued)

Maturities of financial assets and liabilities - 31 December 2011

	Within 3 months AED'000	3 to 6 months AED'000	6 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Financial assets						
Cash and balances with U.A.E. Central Bank	13,918	-	-	-	-	13,918
Balances and deposits with banks and other financial institutions	201,675	65,000	37,500	-	-	304,175
Financing and investing assets	7,175	6,197	12,307	250,773	139,528	415,980
Investment in securities	-	-	-	-	145,396	145,396
Other assets	3,103	2,580	3,438	16,728	-	25,849
Total	225,871	73,777	53,245	267,501	284,924	905,318
Financial liabilities						
Wakala deposits	18,957	18,936	52,739	39,356	-	129,988
Other liabilities	79,051	13,258	2,122	7,815	-	102,246
Total	98,008	32,194	54,861	47,171	-	232,234

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

25 Financial risk management (continued)

Maturities of financial assets and liabilities - 31 December 2010

	Within 3 months AED'000	3 to 6 months AED'000	6 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Financial assets						
Cash and balances with U.A.E. Central Bank	617	-	-	-	-	617
Balances and deposits with banks and other financial institutions	173,550	10,000	60,000	-	-	243,550
Financing and investing assets	1,162	4,068	64,507	124,595	280,535	474,867
Investment in securities	189,539	-	-	-	-	189,539
Other assets	2,128	3,692	7,149	24,416	-	37,385
Total	366,996	17,760	131,656	149,011	280,535	945,958
Financial liabilities						
Wakala deposits	15,761	7,636	76,448	52,563	-	152,408
Other liabilities	16,150	2,853	3,486	13,890	-	36,379
Total	31,911	10,489	79,934	66,453	-	188,787

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

25 Financial risk management (continued)

Maturities of financial assets and liabilities - 31 December 2009

	Within 3 months AED'000	3 to 6 months AED'000	6 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Financial assets						
Cash and balances with U.A.E. Central Bank	3,063	-	-	-	-	3,063
Balances and deposits with banks and other financial institutions	154,127	48,000	10,000	-	-	212,127
Financing and investing assets	20,354	26,078	70,119	98,215	300,829	515,595
Investment in securities	212,119	-	-	-	-	212,119
Other assets	194	2,463	51,505	9,612	-	63,774
Total	389,857	76,541	131,624	107,827	300,829	1,006,678
Financial liabilities						
Wakala deposits	122,179	78	27,000	2,578	-	151,835
Other liabilities	12,934	15,280	2,189	10,514	4,193	45,110
Total	135,113	15,358	29,189	13,092	4,193	196,945

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

25 Financial risk management (continued)

Fair value measurements

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
31 December 2011				
Financial assets at FVTPL	-	-	-	-
Equities				
Available-for-sale investments				
Equities	**15,255**	-	**123,392**	**138,647**
Investment funds	-	-	**6,749**	**6,749**
Sukuk	-	-	-	-
Total	**15,255**	-	**130,141**	**145,396**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2010				
Financial assets at FVTPL				
Equities	15,444	-	-	15,444
Available-for-sale investments				
Equities	2,893	-	151,151	154,044
Investment funds	-	-	18,051	18,051
Sukuk	-	-	2,000	2,000
Total	18,337	-	171,202	189,539

Notes to the consolidated financial statements
For the year ended 31 December 2011 (continued)

25 Financial risk management (continued)

Fair value measurements (continued)

There were no transfers between level 1 and 2 during the year.

Reconciliation of Level 3 fair value measurements of financial assets

	2011 AED'000	2010 AED'000 (restated)
1 January	**171,202**	195,977
Net movement during the year	**(33,816)**	(19,347)
Other comprehensive loss	**(7,245)**	572
31 December	**130,141**	177,202

There is no financial liability as at 31 December 2010 and 2011 which is carried at fair value.

26 Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2010.

27 Zakat

Zakat as approved by the Company's Fatwa and Sharia Supervisory Board (FSSB) amounted to AED 0.01997 per share. This information is to be communicated to all shareholders through the Company's website and shareholders are required to pay Zakat on their own account.

28. Correction of prior period errors

28 (i) Investment in associate

In 2008, the Group has entered into a Share Musharika agreement for 3.636 million shares of Dar Al Takaful P.J.S.C. amounted to AED 17.34 million constituting 12.54% of total shares. Previously these were classified as investment in Share Musharika under Islamic financing and investing assets.

During the period management has revised the accounting treatment of the investments under IFRS and concluded that these should be re-classified as Investment in associate from the date of the original agreement.

28 (ii) Impairment of Investment in securities and other assets

The financial statements of Al Jazeera Financial Services LLC, a subsidiary, as at and for the year ended 31 December 2010 have been restated as a result of an adjustment in the impairment of trade receivables and available for sale investments.

28 (iii) Treasury shares

Al Jazeera Financial Services LLC (the "subsidiary") owns 6 million ordinary shares ("treasury shares") of AED 1 each in Mawarid Finance P.J.S.C. The same are disclosed retrospectively from 2009.

Accordingly, the correction of prior period errors resulted in the retrospective restatement of comparative amounts for the prior periods in which the errors occurred, as follows:

	Balance as Previously reported AED'000 DR/(CR)	Adjustments AED'000 DR/(CR)	Total AED'000 DR/(CR)
Consolidated statement of financial position			
As at 31 December 2009			
Islamic financing and investing assets	532,935	(17,340)	515,595
Investment in associate	24,523	16,717	41,240
Treasury shares	-	6,000	6,000
As at 31 December 2010			
Islamic financing and investing assets	492,207	(17,340)	474,867
Investment in associate	22,210	16,424	38,634
Other assets	48,615	(11,230)	37,385
Investment in securities	190,049	(510)	189,539
Investment revaluation reserve	(5,664)	3,728	(1,936)

28. Correction of prior period errors (continued)

	Statement of comprehensive income, previously reported AED'000 DR/(CR)	Adjustments AED'000 DR/(CR)	Statement of Comprehensive as income amount, as Restated AED'000 DR/(CR)
Consolidated statement of comprehensive income			
- for the year ended 31 December 2009	-	-	-
- for the year ended 31 December 2010	(6,206)	6,778	572

a) *Impact on retained earnings*

Due to the impact of the prior period errors, as discussed above, the following adjustments made to retained earnings amounts as previously reported.

	AED'000
Balance at 1 January 2009, as previously reported	52,075
- Prior period errors	(134)
Balance at 1 January 2009, as restated	51,941
Net loss for the year ended 31 December 2009, as restated *(b)*	(47,942)
Balance at 31 December 2009, as restated	3,999
Net loss for the year ended 31 December 2010, as restated *(c)*	(46,302)
Balance at 31 December 2010, as restated	**(42,303)**

b) *Adjustments on net income for the year ended 31 December 2009 are as follows:*

	AED'000
Net loss, as previously reported	47,453
Adjustment from prior period error (investment in associate)	489
Net loss as restated	**47,942**

28. Correction of prior period errors (continued)

c) Adjustments on net income for the year ended 31 December 2010 are as follows:

	AED'000
Loss as previously reported	35,828
Adjustment from prior period error	
Share of loss in associate	290
Impairment of AFS investment in subsidiary	4,008
Impairment against other assets in subsidiary	6,176
Loss as restated	**46,302**

29. Approval of consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 March 2012.