ANNUAL REPORT 2009

موارد MAWARID

FINANCE للتمويل

Falak Tayyeb! فالك طيب

His Highness Sheikh

Khalifa Bin Zayed Al Nahyan

President of the United Arab Emirates

His Highness Sheikh

Mohammed Bin Rashid Al Maktoum,

Vice President and Prime Minister

of the UAE

Ruler of Dubai

Content

Vision

To be a leader in the development and benchmarking of unique services in Islamic banking.

Mission

To create superior and pioneering Shariah compliant products and services, sustaining high quality performance and maximizing market share to become the provider of first choice Islamic financial solutions in a modern business environment.

Mawarid Finance

Mawarid Finance is a private joint stock company founded in 2006 in Dubai ,the United Arab Emirates, with paid up capital of AED 1 Billion; to launch a new vision in Islamic Finance by adding more value to the industry by developing innovative Shariah compliant products for both individuals and corporate customers.

Mawarid Finance's strategy focuses on supporting and developing the national economy through the provision of Islamic financial services and products for small and medium enterprises (SMEs), which form the backbone of a nation's economy, to enable them to develop, grow stronger and faster. Moreover Mawarid Finance's support has the added benefit of raising the awareness of Islamic Finance within this important sector.

Within the company ambitious plans to explore all investment opportunities available within the various business sectors locally and internationally, Mawarid Finance acquire 1% of Etisalat Misr, which has a capital of 16 Billion Egyptian pounds, contribute in establishing the First Investment Bank in the Kingdom of Bahrain, Set up Takafulhouse to provide Islamic insurance and re-insurance services and acquire Al Jazeera Financial Services, a leading UAE brokerage house. In short Mawarid Finance has successfully carried out both vertical and horizontal integration investments, in successful companies as well as pick profitable ventures outside of the purely financial realm.

In addition, Mawarid Finance founded MFI, it's investment arm and IFS to provide distinct operational banking services, business and technical consultation.

Contributing to the Emiratization process, Mawarid Finance launched the “Tamaiaz ...We Falak Tayyeb” Award. Targeted at young Emirati senior students of universities/colleges and fresh graduates, the award promotes the spirit of excellence, encourages creativity and innovation.

Mawarid Finance in its young history has already collected several awards, locally and internationally, in business, gained ISO 9001 certification in quality of services, and has been considered as one of the most important and successful brands in the UAE.

Products and Services

Corporate:

Labor Guarantees
Mawarid Finance is authorized by Ministry of Labor to issue labor guarantees to meet the demands of the UAE labor market. Through its state of the art set-up Mawarid Finance is able to issue online labor guarantees that are both secure and issued in a more convenient way, especially when handling guarantees in large volumes.

Letters of Guarantee
Letters of Guarantee are issued under the Islamic mode of Kafalah for any Shariah compliant business activity. A wide range of guarantees are issued providing a vital resource for business to meet their obligations.

eMurabaha
This unique innovation is considered to be the first of its kind in the world and allows the customer to request, follow up, and manage their funding facility online through their fund management system that follows the Islamic mode of Murabaha.

Floos
Provides SMEs with extra liquidity to handle those times when funds are not readily available to pay debts, cover unexpected expenses or seize business opportunities. Floos is just another example of our commitment and understanding of the SME sector and will help customers manage their cash flow better and, or boost funds when really required.

Goods Finance
Tailor made for clients who want to avail financing to purchase goods for their business. From Desks to raw materials, Goods Finance covers any requirement. It is offered under the Islamic modes of Murabaha and, or Ijarah, giving clients an option to better manage their spending and cash flow.

Commercial Offices Finance
Created to provide businesses assistance in acquiring commercial spaces in the UAE. Offered to both Corporate and SME clients alike, on both short-term and long-term basis, Mawarid's Commercial Offices Finance tie in with a company's plans and provide flexibility to match the client's requirements.

Trust Account
Mawarid Finance has been appointed as an account trustee with the Department of Land, Dubai. Mawarid was approved as an escrow account trustee due to its experienced highly qualified team and in addition due to the quality of Shariah compliant financial services and products catering to this sector. Mawarid's Trust Account (escrow) service for UAE developers enhances their projects salability, improves their operations and secures the buyer's off-plan properties.

Investment Services
Mawarid Finance provides a unique range of investment services through an integrated portfolio of banking and finance investment products including consultancy services on corporate strategies and structures, fund raising and investing in Islamic marketplaces. Mawarid Finance has built upon its wide network of contact and involvement with finance and banking institutes, government departments as well as investment authorities in the GCC and around the world.

Share Finance
This product is ideal for companies who trade in stocks or who wish to invest in the UAE financial markets. In collaboration with Al Jazeera Financial Services and based on the Islamic mode of Murabaha, Mawarid provides the finance which increases leverage for clients, who can then trade through a trusted broker in AJFS in any Shariah compliant shares in both the DFM and ADX markets.

Working Capital
offered to customers who wish to obtain funds to meet their current and future planned businesses needs as well as Entrepreneurs for their existing or up and coming projects. Provided via the Islamic principle of commodity Murabaha, Mawarid offers this product as one of the many varied range of products and services available to UAE businesses.

Invoice Finance
Mawarid offers this product to solve the problems of restricted cash flow faced by most suppliers in the UAE market. Customers can unlock the value of their invoices now, without having to wait long periods for payment from buyers. This release of funds leads to improved cash flow and is vital for customers to carry on their businesses successfully.

Capital Deposit Certificate
Another product demonstrating Mawarid's support of UAE business, this product is offered to customers who must produce a certificate of deposit of capital which is requested by some of the economic departments of the UAE to obtain their business license. The product has the added option for the client to benefit from a return on the funds should they so wish.

Tejarah Finance
An Umbrella product which acts as a one-stop shop for meeting a business' varied needs via simple and effective financing. Business Finance can provide support in case of Trade Finance (import and export) to short-term liquidity needs.

Wakalah Investment
As Mawarid's leading investment product, Wakalah offers customers a chance to share in Mawarid's investment acumen and receive sizable returns across all investment periods. Mawarid's Wakalah is accessible to both Corporates and SMEs alike. In addition, flexible profit payment options means you don't have to wait till the end of the year to get the benefit.

Business Account
From a Current Account to meet your day to day needs to a Saving Account that gives rewards commensurate to your deposit amount, Mawarid provides a safe haven for your hard earned money. Our Business Accounts form the basis in our effort to provide Businesses with the best service in town for all their financing as well as non-financing needs.

Ojoor
is Mawarid's product designed to assist all UAE companies comply with the Wages Protection System implemented by the Central Bank of the UAE in collaboration with the Ministry of Labour, required by Law since late 2009. Mawarid's Ojoor Service provides businesses with a simple and easy way to pay wages / salaries via the WPS system.

Products and Services

Auto & Fleet Finance

Sayyarat Mawarid (Car Mawarid) is a vehicle financing product offered to both Corporates and SMEs, based on the Murabaha mode of Islamic finance. With vast experience in the fleet market, Mawarid knows the perfect combination of getting you the cars you want.

Retail:

Floosi

is flexible short term financing for individuals that offers fast, easy and short term liquidity solutions. Floosi was created for Salaried and Corporate Guaranteed customers who need to meet unforeseen or short term increased expenditure without punishing terms and conditions.

Share Finance

Like its corporate counterpart, Mawarid's Share Finance for individuals has very attractive features which are perfect for customers wishing to share in the UAE's major markets, the DFM and ADX.

Thameen Finance

Catering to successful and established UAE Nationals, Thameen Finance justly rewards these hardworking and demanding individuals. Offered to both High Income Salaried as well as High Net Worth businesspersons, Mawarid's Thameen Finance is our first foray in to the privileged finance sector.

Sayyarat Mawarid

Provided on the Islamic mode of Murabaha, Mawarid's Auto Finance product has attractive features such as easy documentation, generous limits and market competitive profit rates.

Aqarat Mawarid

Home financing for ready and very near ready projects across the UAE. Based on the Islamic mode of Ijara, Aqarat Mawarid is structured to provide an easy and comfortably affordable way to purchase and own home.

Membership

Islamic Financial Services Board (IFSB)

IFSB was officially inaugurated in 2002. It serves as an international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry, which is defined broadly to include banking, capital market and insurance. In advancing this mission, the IFSB promotes the development of a prudent and transparent Islamic financial services industry through introducing new, or adapting existing international standards consistent with Shariah principles, and recommend them for adoption.

The International Islamic Centre for Reconciliation and Arbitration (IICRA)

IICRA is an international independent non profit institution. The Centre was established on April 2005 and began its effective activities in January, 2007.

The IICRA is legally competent to settle all sorts of financial and commercial disputes that may arise between the financial or commercial institutions that opt to implement the Islamic Sharia to settle the disputes or the disputes between these institutions and their clients or between them and others, through the reconciliation or the arbitration.

General Council for Islamic Banks and Financial Institutions

The General Council for Islamic Banks and Financial Institutions is non profit organization, established by the Islamic Development Bank and other Islamic Finance institutions. The council includes many Islamic banks, financial and investment institutions registered across the world under the central banks.

The General council was launched to carryout two main roles through providing guidance, education and development. It also aims at providing the necessary information and helps them overcome the obstacles that may encounter the industry. Like the other similar banking professional association, the Council carries out this role to add value and bring success to such programs which support the Islamic Finance in general.

Dubai Quality Group

The Dubai Quality Group has been set up as a non-profit organization with the main objective of providing a basis for the exchange of knowledge in the business community. Through its workshops, seminars, conferences and publications, the group provides organizations with the opportunity to align their management techniques with world-wide best practice. Since its inception, the Group has been of benefit to organizations of all sizes from all sectors of the economy.

World Confederation of Businesses

World Confederation of Businesses (WORLDCOB) is a leading international organization that encourages worldwide business development. The company's headquarters are in Houston, Texas in the United States. WORLDCOB has more than two thousand Associate Members in over forty five countries, to accomplish its main objective of encouraging business growth around the world.

Arab Union for Small Enterprises

It is an Arabic regional organization, established in 2004 under the umbrella of the Arab Economic Union. It ties the organizations, institutions, associations and unions, the public and private companies which work on development and sponsorship of the small organizations. The union aims at developing and supporting the Arab small enterprises and enhances their competition abilities; and contributes to achievement of the economic integration among the Arab counties

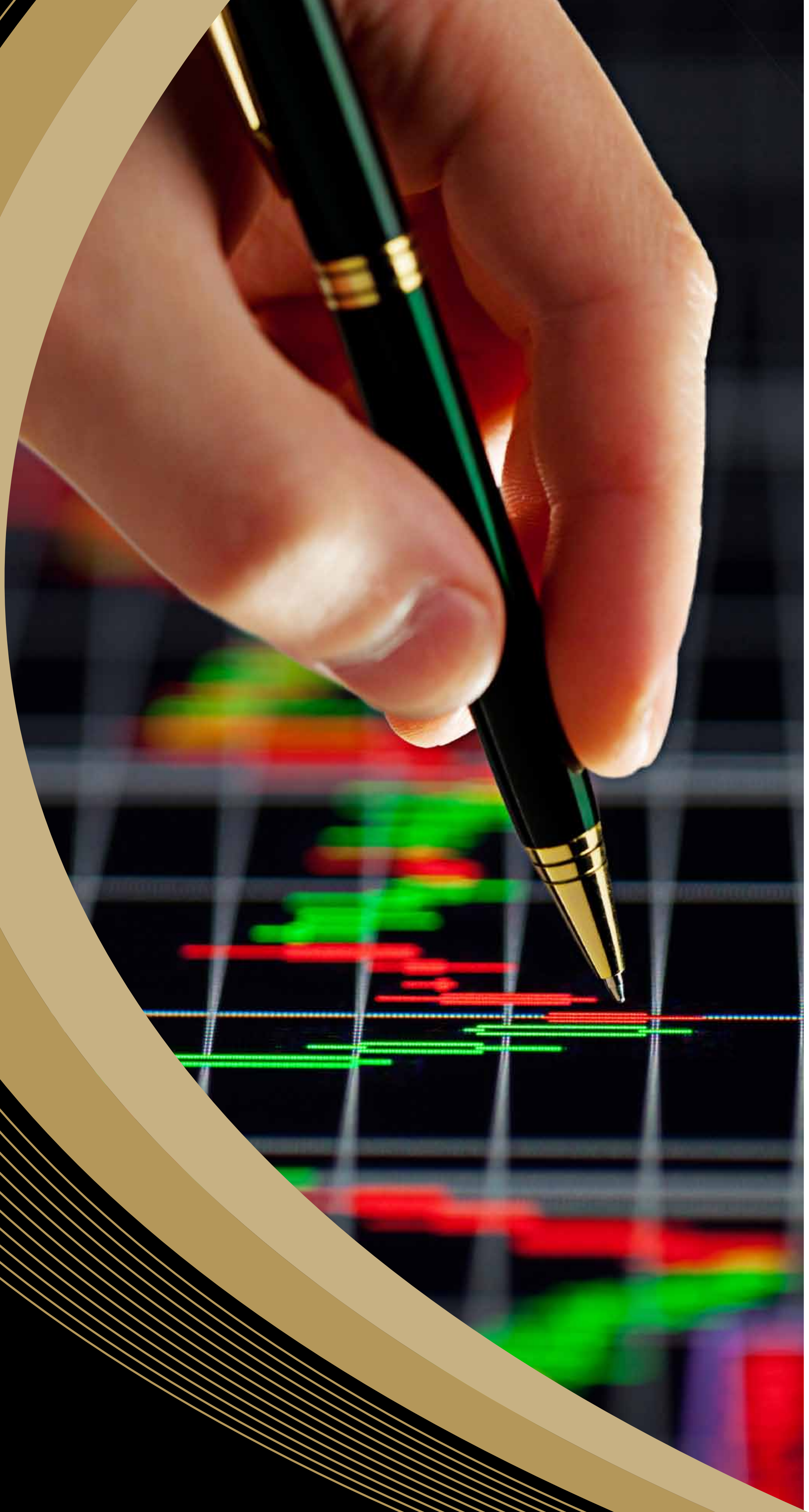
دار التكافل
Takafulhouse

دارالتكافل للتأمين وإعادة التأمين الإسلامي
Takafulhouse Islamic Insurance & Reinsurance

TAKAFULHOUSE

Takafulhouse is a public joint stock company established in 2008 with paid capital of AED 100 million, listed on the Dubai Financial Market. Mawarid Finance is the main founder of the company and owns 25% of the capital.

Takafulhouse offers services in Takaful (Islamic insurance) general and re-insurance. The Islamic insurance market is witnessing rapid development in order to meet increasing global demand from customers. Indeed, within the UAE greater growth and prosperity of this sector is being led by customer driven demand for more services and products. This confirms the formation of “Takafulhouse” came at the right place and at the right time, to ensure that it occupies a special position to provide innovative Takaful solutions to its customers and the UAE market.



AL JAZEERA FINANCIAL SERVICES

Al Jazeera Financial Services was established as a limited liability company in Dubai in 2005 to engage in financial intermediation.

As part of an ambitious plan for growth and prosperity, “Mawarid Finance” in 2008 acquired the company by buying 55% of its assets, to offer the opportunity to invest in stocks compliant with Shariah and listed on both the Dubai Financial Market and the Abu Dhabi Securities Exchange.

Al Jazeera Financial services was able to quickly gain customers’ confidence, provide them with excellent services, compete successfully with other companies and build a strong base of clients and investors in record time. Acquiring Al Jazeera boosted its position in the financial markets and added a whole new source and type of customer reach.

MFI INVESTMENTS

MFI is a limited liability company fully owned by Mawarid Finance. The company was founded in 2008 to uncover promising Shariah compliant investment opportunities across all sectors of business.

MFI, the investment arm of Mawarid Finance, performs two main roles. Firstly as a conduit for Mawarid Finance's own expansion strategy as a channel of acquisition and secondly to engage strongly in the investment world on a stand alone basis, taking advantage of the most significant development opportunities at regional and global level to achieve the highest returns for shareholders.

IFS

IFS is a limited liability company wholly owned by Mawarid Finance founded in 2009, to provide distinct operational banking services, business and technical consultation. This initiative came as a natural result of Mawarid's extensive past experience in and future aims of exploiting market opportunities in the UAE in particular and the Gulf market in general.

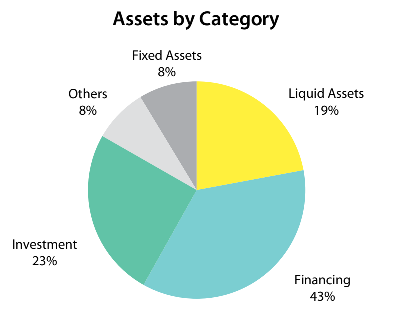
The company aims to exchange experiences with Mawarid's subsidiaries, affiliated companies and others through the provision of services and high quality solutions to support business development and facilitation.

Chairman's Message

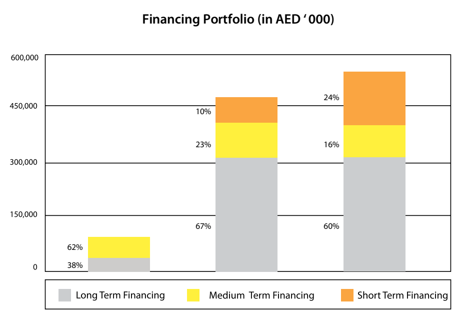
Dear Shareholders

The year 2009 was a very challenging period globally due to the economic crisis, especially in the financial sector.

Despite the young age of Mawarid, we were fortunate to leverage on the experience of management to support Mawarid to stand tall during the past difficult year .By reviewing and modifying the distribution of the company's assets in order to strengthen our position, the result was as follows:



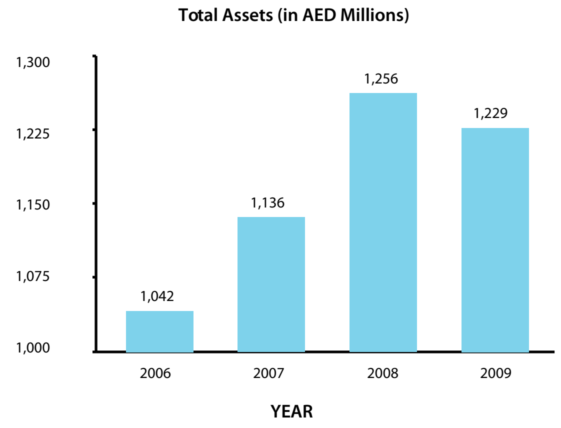
42% Finance, 23% investment, 19% liquid assets, cash 8%, fixed assets 8%, others 8%.

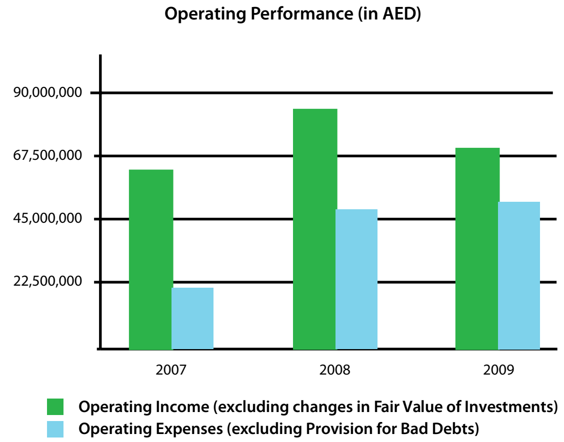


	2007	2008	2009
Gross Principal Outstanding (in AED'000)	87,872	466,448	538,302
Annual Growth Rate		431%	15%

Mawarid Finance classified its business, into three categories; short term which is for three years and less, medium term, from 3 to 5 years, and long term, more than 5 years. However, the company concentrated on increasing sales under the first category "short-term" in order to revolve the cash and benefit from the same as much as possible; hence doubling the said category to reach more than 24% of the total financing portfolio. Medium term finance reached 16%, whilst long term finance was reduced from 70% in 2008 to 60% in 2009 to protect the company's assets from the negative market changes.

In spite of the significant increase in income from the company's core business, the need for provisions and the investment re-assessment had a negative impact on the results. However, the company has proved its capability to cut expenses, and in spite of moving the management office and the significant increase in our business volume, the company's expenses remained the same as in 2008.





Finally, on behalf of the Board of Directors and Mawarid Finance staff, I would like to extend my thanks to all our shareholders for their valuable trust.

Omran Bin Sultan Al Owais

CEO's Message

Dear Shareholders,

Mawarid Finance maintained its operations through the year 2009 according to its strategy aimed at offering the best services to our clients and ensuring sustainability. In spite of the market conditions as a result of the global economic recession, the company was able to steadily build a position in the market and the Islamic finance industry.

To keep inline with our strategy to seek potential investment opportunities in the local market by establishing or acquiring companies; we announced I.F.S as a new member of the Mawarid Finance Group. IFS has been established with the objective to provide banking and technical consultation services to the global Islamic Finance Industry.

We continued to streamline the group's operations by internal pooling of resources, such as a centralized HR and Admin, to reduce operational costs. We carried on our firm commitment to the emiratization process and were happy to add many qualified national personnel. We also focused on staff development across the group to ensure our delivery of high quality services did not drop, the success of which our many awards in business and quality are testimony to.

To keep our ongoing commitment towards our clients and shareholders, we have launched range of innovative and competitive Shariah complaint products and services to satisfy the SMEs needs as well as other clients.

Finally, I would like to take this opportunity to extend my regards and thanks to our Shareholders, Board Chairman and Members, the Shariah Board, our Employees and our Valued Clients.

Mohamed Ali Musabbeh Al Neaimi

Shariah Board Report

Praise be to Allah, Lord of the worlds, and Prayer and Peace be upon the Prophet Muhammad, his family and the companions.

To the Shareholders of Mawarid Finance PJSC.

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

In compliance with article 34 of the Articles of Association of the Company, we are submitting the following report:

We have reviewed the principles on which the Company's activities are based upon, the financial results of the Company, its investments and other activities that are related to the Company's activities in order to form an opinion as to whether or not Mawarid Finance PJSC has complied with Shariah Rules and Principles in light of the specific fatwas, rulings and guidelines issued by us during the year ended 31st December 2009.

The responsibility of ensuring that the Company conducts its business in accordance with Shariah Rules and Principles lies with Mawarid Finance PJSC's management. Hence, the management is responsible on the activities and business of the Company and responsible in ensuring its implementation is in accordance with the basic principle of the Company which is to fully comply with the rules and principles of Shariah. Whereas our responsibilities are only to form an independent opinion based on our review of the operations of Mawarid Finance PJSC, and to report to you.

We have conducted our review which included examining the financial results of the Company through our review of the Company's balance sheet and income statement. We have reviewed deposits of the Company in financial institutions as well as the investments of the Company and they were found to be all in Islamic financial institutions. We have also reviewed the transactions of the Company within the year ended 31st December 2009 and we have confirmed those which are in compliance with Shariah and we have requested transactions which are not to be amended according to the Shariah requirements.

We have requested the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that generally Mawarid Finance PJSC in its various activities and businesses has not violated Shariah Rules and Principles.

Hence, we opine that:

The Company in its various activities, investments, deposits and businesses during the year ended 31st December 2009 has complied with Shariah Rules and Principles. There are certain operational Shariah issues that we have found in the operations of the Company and we have requested them to be rectified in which the Company has undertaken to rectify them;

Since the management of the Company is authorized to make the payment of Zakah on behalf of the shareholders based on the Articles of Association, the Company is intending to amend the article in its first General meeting to transfer the obligation to pay Zakah to the shareholders. The Board hereby announces that the amount of Zakah due for each share is AED 0.023. The Board also urges the shareholders to fulfill the responsibility of paying Zakat in order to purify their wealth, fulfill their obligation and perform the third pillar of Islam.

The Board asserts that the use of any document, agreement, contract or engagement in any investment or activities must be first approved by the Board in order to ensure that it is in compliance with Shariah requirements and this is as mentioned in the Memorandum and Articles of Association of the Company;

The Board hereby issues this report and praises the Company's noble effort in complying with the rules and principles of Islamic Shariah in order to attain the blessings from Allah, and the Board prays to Allah so that this effort will become the reason in attaining blessings in wealth and deeds.

Praise be to the Prophet Muhammad, his family and the companions and we end by praising Allah Lord of the worlds.

Fatwa and Shariah Supervisory Board

Sheikh Nizam Yaaqubi	**Sheikh Dr. Mohammed Abdul Rahim Sultan Al Olama**	**Sheikh Dr. Ahmad Abdul Aziz Al Haddad**
Chairman	Vice Chairman	Member

Independent Auditor s Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mawarid Finance PJSC (the "Company") and its Subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements for the year ended December 31, 2008 were audited by another auditor whose report dated March 2009 expressed a qualified opinion as they were unable to perform additional procedures to obtain sufficient appropriate audit evidence, that the work of the auditor on subsidiary's financial statements for the year ended December 31, 2008, was adequate.

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

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.

Basis of Qualification

The auditor of the subsidiary qualified their opinion on available for sale investments of AED 12.44 million. These securities were maintained by the subsidiary in contravention with the provisions of the subsidiary's Memorandum of Association.

Qualified Opinion

In our opinion, except for the fact mentioned above, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mawarid Finance PJSC and its Subsidiaries, as at December 31, 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters of an associate company of the Group, Takaful House PJSC:

As discussed in Note 9 to these consolidated financial statements, the associate company has made a provision for a fire claim amounted to AED 30 million.

The shareholders of the associate company have funded the comprehensive loss in the participants' fund through a Qard Hasan (free of finance charge) of AED 37,075,684 with no repayment terms. As at December 31, 2009, Qard Hassan at nominal value of AED 18,536,792 was impaired and charged to the consolidated statement of income for the year. The management of the associate company expects to recover the remaining balance from the future profits attributable to participants.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account and the information contained in the directors' report relating to the consolidated financial statements is in agreement with the books. 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.)
March 2010

Consolidated Financial Statements

Consolidated Statement of Financial Position
As of December 31, 2009
(In Thousands Arab Emirates Dirhams)

	Note	2009	2008
ASSETS			
Cash and balances with Central Bank		3,063	1,808
Balances and deposits with banks and other financial institutions	5	212,127	267,190
Islamic financing and investing assets	6	532,935	466,261
Investment properties	7	75,975	169,900
Investment in securities	8	218,119	168,233
Investment in associate	9	24,523	28,427
Goodwill	10	6,437	6,437
Property and equipment	11	92,406	26,355
Other assets	12	63,774	125,047
Total Assets		**1,229,359**	**1,259,658**
LIABILITIES AND EQUITY			
LIABILITIES			
Wakala deposits	13	151,835	152,355
Other liabilities	14	45,110	22,487
Total Liabilities		**196,945**	**174,842**

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

EQUITY			
Share capital	15	1,000,000	1,000,000
Statutory reserve	16	13,319	13,319
General reserve	17	12,822	12,822
Investment revaluation reserve		(10,997)	(10,059)
Retained earnings		4,622	52,075
Attributable to equity holders of the parent		1,019,766	1,068,157
Non-controlling interest		12,648	16,659
Total Equity		1,032,414	1,084,816
Total Liabilities and Equity		**1,229,359**	**1,259,658**

The consolidated financial statements on pages 34 to 76 were approved by the Board of Directors on 16th of March 2010 on and signed on their behalf by:

Omran Al-Owais
Chairman

Mohamed Al Neaimi
Director & Chief Executive Officer

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

Consolidated Statement of Income
For the year ended December 31, 2009
(In Thousands Arab Emirates Dirhams)

	Note	2009	2008
Income from Islamic financing and investing assets	18	40,445	21,507
Income on Islamic deposits and Wakala placements	19	9,477	21,927
Changes in fair value of investment properties	7	(46,255)	29,128
Investment advisory fee		-	17,681
Unrealised loss on financial assets carried at FVTIS		(4,650)	(26,621)
Commission income		4,467	8,938
Share of loss in associate	9	(3,903)	(1,068)
Other income	20	13,698	13,356
Operating income		13,279	84,848
General and administrative expenses	21	(41,377)	(40,608)
Finance costs		(1,522)	(1,478)
Provision for impairment on Islamic financing and investing assets	6	(5,178)	(188)
Provision for impairment on due from customers (brokerage operation)	12	(9,091)	-
(Loss)/profit before depositors' share of profit		(43,889)	42,574
Depositors' share of profit	13	(7,801)	(7,259)
Net (loss)/profit for the year		**(51,690)**	**35,315**

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

Attributable to:		
Equity holders of the parent	(47,453)	33,077
Non controlling interest	(4,237)	2,238
	(51,690)	**35,315**

Consolidated Statement of Comprehensive Income
For the year ended December 31, 2009
(In Thousands Arab Emirates Dirhams)

	2009	2008
Net (loss)/profit for the year	(51,690)	35,315
Other comprehensive income		
Change in the fair value of available-for-sale investments	(104)	(17,372)
Total comprehensive (loss)/income for the year	(51,794)	17,943
Total comprehensive (loss)/income attributable to:		
Equity holders of the parent	(48,391)	23,018
Non-controlling interest	(3,403)	(5,075)
	(51,794)	**17,943**

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

Consolidated Statement of Changes in Equity
For the year ended December31, 2009
(in Thousands Arab Emirates Dirhams)

	Share capital	General reserve	Statutory reserve	Revaluation reserve	Retained earnings	Attributable to equity	Controlling interest	Total
Balance at December 31, 2007	1,000,000	9,514	9,514	-	76,111	1,095,139	-	1,095,139
Net profit for the year	-	-	-	-	33,077	33,077	2,238	35,315
Other comprehensive loss	-	-	-	(10,059)	-	(10,059)	(7,313)	(17,372)
Total comprehensive income for the year	-	-	-	(10,059)	33,077	23,018	(5,075)	17,943
On acquisition of subsidiary (Note 10)	-	-	-	-	-	-	21,734	21,734
Dividend paid	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Transfer to reserves	-	3,308	3,805	-	(7,113)	-	-	-
Balance at December 31, 2008	1,000,000	12,822	13,319	(10,059)	52,075	1,068,157	16,659	1,084,816
Net loss for the year	-	-	-	-	(47,453)	(47,453)	(4,237)	(51,690)
Other comprehensive loss	-	-	-	(938)	-	(938)	834	(104)
Total comprehensive loss for the year	-	-	-	(938)	(47,453)	(48,391)	(3,403)	(51,794)
Dividend paid	-	-	-	-	-	-	(608)	(608)
Balance at December 31, 2009	1,000,000	12,822	13,319	(10,997)	4,622	1,019,766	12,648	1,032,414
Dividend paid	-	-	-	-	-	-	(608)	(608)
Balance at December 31, 2009	**1,000,000**	**12,822**	**13,319**	**(10,997)**	**4,622**	**1,019,766**	**12,648**	**1,032,414**

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

Consolidated Statement of Cash Flows
For the year ended December 31, 2009
(In Thousands Arab Emirates Dirhams)

	2009	2008
Cash flows from operating activities		
Net (loss)/profit for the year	(51,690)	35,315
Adjustments for:		
Depreciation	4,439	1,811
Income on Islamic deposits and Wakala placements	(9,477)	(21,927)
Change in fair value of investment properties	46,255	(29,128)
Gain on disposal of investments in securities	(6,639)	(3,424)
Depositors' share of profit	7,801	7,259
Unrealised loss on investments carried at FVTIS	4,650	26,621
Share of loss in an associate	3,903	1,068
Provision for impairment on Islamic financing and investing activities	5,178	188
Provision for impairment on brokerage operation receeivable	9,091	-
Finance cost	1,552	1,478
	15,063	**19,261**
Changes in operating assets and liabilities:		
Increase in Islamic financing and investing	(71,852)	(378,577)
Decrease in other assets	6,616	60,665
(Decrease)/increase in Wakala deposits	(520)	113,355
Increase/(decrease) in other liabilities	15,870	(13,078)
Cash used in operations	(34,823)	(198,374)
Depositors' share of profit paid	(7,801)	(7,259)
Finance cost paid	(7,801)	(7,259)
Net cash used in operating activities	(44,176)	(207,111)
Cash flow from investing activities		
Purchase of property and equipment	(18,166)	(1,200)
Net movement in investments in securities	(7,831)	(125,170)
Purchase of investment properties	(7,801)	(55,030)
Islamic deposits and Wakala placements (enchased)/reversed	(48,000)	385,000
Proceed from disposal of investment properties	-	17,080
Net cash paid for acquisition of subsidiary	-	(21,438)
Investment in associate	-	(29,495)

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

Income received on deposits and Wakala placements	9,477	21,927
Net cash (used in)/generated from investing activities	(64,520)	191,674
Cash flow from financing activities		
Dividends paid	(608)	(50,000)
Net cash used in financing activities	(608)	(50,000)
Net decrease in cash and cash equivalents	(109,304)	(65,437)
Cash and cash equivalents at beginning of the year	253,560	318,997
Cash and cash equivalents at end of the year (Note 22)	**144,256**	**253,560**

1. Establishment and operations

Mawarid Finance (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 U.A.E. Central Bank as a finance company and is primarily engaged in Islamic Sharia’a compliant financing and investment activities such as Ijara, Forward Ijara, Murabaha, Musharaka and Wakala. The activities of the Company are conducted in accordance with Islamic Sharia’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 for investment - dormant.
IFS (FZE)	100 %	U.A.E.	Operational services dormant.

MFI Investments LLC is a special purpose entity incorporated to hold the Company’s investment

IFS (FZE) was incorporated on October 27, 2009 and has not started its operation yet.

2. Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations affecting amounts reported in the current year (and/or prior years)

The following new and revised Standards and Interpretations have been adopted in the current year and have resulted only in certain additional disclosures.

IAS 1(as revised) Presentation of Financial Statements	IAS 2007 has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
Improving Disclosures about Financial Instruments (IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Standards and Interpretations adopted with no effect on consolidated financial statements

The following new and revised Standards and Interpretations have also been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate)	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
Amendments to IFRS 2 Share-based Payment (Vesting Conditions and Cancellations)	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
IAS 23 Borrowing Costs	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements.
IFRS 8 Operating Segments (as revised in 2007)	This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group.

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

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This change has had no impact on these consolidated financial statements.
IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (Puttable Financial Instruments and Obligations Arising on Liquidation)	The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity. The amendments to IAS 32 and IAS 1 are not expected to have any impact on the financial performance or position of the Group as the Group has not issued such instruments.
IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (Reclassification of Financial Assets)	The amendments to IAS 39 permit an entity to reclassify non-derivative financial assets out of the 'FVTIS' (FVTPL) and 'available-for-sale' (AFS) categories in very limited circumstances. Such reclassifications are permitted from July 2008 ,1. These amendments have no impact on the financial performance or position of the Group as the Group has not reclassified any of such financial assets.
IAS 38 Intangible Assets	IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. These amendments have no effect on entity's financial performance or financial position.
IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement (Embedded Derivatives)	Amendments to IFRIC 9 and IAS 39 require entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the FVTIS category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The amendments are applicable for annual periods ending on or after December 2009 ,31. The application of the amendment is not expected to have a significant impact on the Group's consolidated financial statements as no reclassifications were made for instruments that contained embedded derivatives.

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

IFRIC 13 Customer Loyalty Programmes	The application of the amendment is not expected to have a significant impact on the Group's consolidated financial statements as the Group has no customer loyalty programmes.
IFRIC 15 Agreements for the Construction of Real Estate	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Group's construction activities.
IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

Standards and Interpretations in issue not yet effective

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 3 Business Combinations	Effective for annual periods beginning on or after July ,1 2009
IFRS 9 Financial Instruments	IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.
IAS 7 Statement of Cash Flows	Effective for annual periods beginning on or after January ,1 2010
IAS 17 Leases	Effective for annual periods beginning on or after January ,1 2010
IAS 27 Consolidated and Separate Financial Statements	Effective for annual periods beginning on or after July ,1 2009
IAS 28 Investments in Associates	Effective for annual periods beginning on or after July ,1 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	Effective for annual periods beginning on or after July ,1 2009
IFRIC 18 Transfers of Assets from Customers	Effective for annual periods beginning on or after July ,1 2009
IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	Effective for annual periods beginning on or after July ,1 2011
Amendment to IFRIC 14: IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction	Effective for annual periods beginning on or after January ,1 2011

The management anticipates that the adoption of these Standards and Interpretations will not have a significant impact on the presentation and disclosures of the Group's consolidated financial statements.

3.1 Definitions

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

Sharia'a

Sharia'a is the body of Islamic law which is essentially derived from the Holy Quran and the Sunnah. The Group, being an Islamic financial institution, incorporates the essence of Sharia'a in its activities.

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

An agreement between the Company (Raab-ul-Maal) and another party (Mudarib) whereby 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

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 International Financial Reporting Standards (IFRS).

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.

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 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 a company or 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 of the subsidiary or jointly controlled entity recognised 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.

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

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in U.A.E. Dirham (AED), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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 profit or loss 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 Islamic 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 income statement 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.

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 Sharia'a Supervisory Board.

Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the statement of financial position date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment in associate

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 an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Property and equipment

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:

Furniture and fixtures	4 years
Office and IT equipment	3 - 5 years
Building	25 years
Leasehold improvements	5 years

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

Islamic financing and investing assets

Islamic 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.

Other Islamic financing and investing assets are stated at cost less any provisions for impairment and deferred income.

Allowance for impairment is made against Islamic financing and investing assets when their recovery is in doubt

taking into consideration IFRS requirements for fair value measurement. Islamic 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.

Islamic financing and investing assets impairment

Individually assessed Islamic financing and investing assets

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

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.

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 income statement (FVTIS), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through income statement (FVTIS), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

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

Financial assets at FVTIS

Financial assets are classified as at FVTIS when the financial asset is either held for trading or it is designated as at FVTIS.

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.
Financial assets at FVTIS 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 interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of income.

Available-for-sale (AFS) financial assets

The Group also has investments in unlisted shares that are not traded in an active market these investments are classified as available for sale financial assets and stated at fair value, if reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Other financial assets

Other financial assets which consist mainly of due from customers (brokerage operation) are stated at amortised cost net of allowance.

Impairment of financial assets

Financial assets, other than those at FVTIS, 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, 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 certain categories of financial asset, such as due from customers (brokerage operation), assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 profit or loss 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 securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

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.

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, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including wakala deposits and account payables are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost.
Financial liabilities and equity instruments issued by the Group - continued

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of guarantees. Financial guarantees are initially recognised in the consolidated financial statements (within 'other liabilities') at fair value commission. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in 'Credit loss expense'. The premium received is recognised in the income statement in 'Other income' on a straight line basis over the life of the guarantee.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 expatriates 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 balance sheet 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 Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated income statement for the year.

Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present obligation, legal or constructive, as a result of past events, 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.

Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

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, the management is required to make judgements, 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. Revisions to accounting estimates are recognised in the period 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.

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 Islamic financing and investing assets

The impairment allowance for Islamic financing and investing assets is established through charges to the consolidated income statement.

Key sources of estimation uncertainty - continued

Impairment losses on Islamic financing and investing assets - continued

Impairment losses for individually assessed Islamic 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 Islamic financing and investing assets which are significant:

The amount expected to be realised on disposals of collaterals.
The Company's ability to enforce its claim 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 Islamic 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.
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 held to maturity, held for trading, carried at FVTIS or available-for-sale.

Critical judgment in applying the Group's accounting policies

Property and equipment

Property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Impairment of available for sale investments

The Group exercises judgment to consider impairment on the available for sale investments. This inlcudes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Group evaluates among other factors, the normal volatility in market price. In addition, the Group considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance or changes in technology.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and to assign a suitable discount rate in order to calculate present value.

5. Balances and deposits with banks and other financial institutions

	December 31, 2009 AED '000	2008 AED '000
Current accounts	15,127	77,115
Deposits with Islamic institutions	197,000	190,075
	212,127	**267,190**

Deposits with Islamic institutions mature within 3 months from the date of deposit, except for an amount of AED 58 million (2008: AED 10 million) which matures after 3 months. Average profit rate on these deposits ranges from 4.5% to 5.3% (2008: 4.9% to 8.5%) per annum.

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

6. Islamic financing and investing assets

	December 31, 2009 AED '000	2008 AED '000
Financing:		
Ijarah	182,078	171,347
Ijarah projects in progress	138,889	142,969
Vehicle Murabaha	31,775	43,679
Plot Murabaha	23,592	29,191
Home Murabaha	435	630
Commodity Murabaha	132,210	46,307
Shares Murabaha	17,340	17,340
	526,319	**451,463**
Provision for impairment	(5,366)	(188)
	520,953	451,275
Investing:		
Musharaka	11,982	14,986
Total Islamic financing and investments, net	532,935	466,261

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

Provision for impairment movement:

	December 31, 2009 AED '000	2008 AED '000
At January 1,	188	-
Charged during the year	5,178	188
At December 31,	**5,366**	**188**

7. Investment properties

	December 31, 2009 AED '000	2008 AED '000
At January 1,	169,900	125,233
Properties transfered from work in progress/acquired during the year	4,654	55,030
Transfer to property and equipment (Note 11)	(52,324)	(22,411)
Disposed during the year	-	(17,080)
Changes in fair value	(46,255)	29,128
At December 31,	**75,975**	**169,900**

8. Investment in securities

	December 31, 2009 AED '000	2008 AED '000
Investments carried at fair value through profit and loss:		
Quoted securities	16,846	8,866
Available-for-sale investments:		
Unquoted securities	195,977	149,725
Quoted securities	5,296	9,642
	218,119	**168,233**

Available-for-sale investments include an amount of AED 3 million (2008: AED 3 million) registered in the name of certain shareholders of the subsidiary on trust and for the benefit of the subsidiary.

9. Investment in associate

During 2008, the Group acquired 29% interest in Takaful House PJSC, a listed company which carries out general takaful (insurance) and retakaful (reinsurance) business.
Summarised financial information in respect of the Group's associate is set out below:

	December 31, 2009 AED '000	2008 AED '000
Group's share in:		
Total assets	37,558	29,999
Total liabilities	(13,035)	(1,572)
Net assets	**24,523**	**28,427**
Group's share of net loss of associate	**(3,903)**	**(1,068)**

During 2009, a participant under a fire takaful contract has filed a law suit against the associate of the Group, claiming a loss due to a fire in its premises. A first instance judgment has confirmed the participant's claim and related legal expenses of AED 31 million, however the appeal court cancelled this judgment and appointed an expert to examine the fire claim case.

Management of the associate company has decided to make full provision for the claim amount. In relation to this fire claim, the associate company has made a cash call of AED 29 million to its retakaful companies representing the retakaful share of loss as per retakaful treaties.

This was rejected by the retakaful companies based on an exclusion clause, which led the associate company and its retakaful companies to action the arbitration clause included in the treaties in order to settle their dispute on the interpretation of this exclusion clause. The Company has accounted for retakaful share of the loss and made a full provision on the retakaful receivables.

10. Acquisition of subsidiary

Al Jazeera Financial Services LLC

On January 3, 2008 (the acquisition date), the Group acquired 55% of the issued share capital and economic benefit of Al Jazeera Financial Services L.L.C., a securities brokerage firm incorporated and registered in Dubai, United Arab Emirates.

	Recognised on acquisition AED '000	Fair value AED '000
Property and equipment	565	565
Available for sale investments	26,835	26,835
Account receivable and other assets	36,660	36,660
Cash and cash equivalents	11,562	11,562
	75,622	**75,622**
Non-current liabilities	113	113
Current liabilities	27,212	27,212
Total net assets	**48,297**	**48,297**

	Recognised on acquisition AED '000
Total net assets acquired (55%)	26,563
Goodwill arising on acquisition	6,437
Total acquisition cost	**33,000**
Cash flow on acquisition:	
Cash paid for acquisition	(33,000)
Net cash acquired on acquisition	11,562
Net cash outflow	**(21,438)**

The goodwill of AED 6,437 thousand is the excess of the cost of acquisition over the Group's interest in net fair value of the identifiable assets and liabilities of the business acquired.

During the year the subsidiary paid a dividend of AED 1.3 million. This amount represents purification of non-Sharia compliant income generated during the year by the subsidiary.

11. Property and equipment

	Furniture and fixtures AED'000	Office and IT equipment AED'000	Motor vehicles AED'000	Land AED'000	Office Building AED'000	Capital work-in progress AED'000	Total AED'000
Cost							
At December 31, 2007	2,708	1,894	-	-	-	-	4,602
Acquisition from subsidiary (Note 10)	62	1,409	108	-	-	-	1,579
Additions during the year	230	970	-	-	-	-	1,200
Transfers from investment properties (Note 7)	-	-	-	-	22,411	-	22,411
At December 31, 2008	**3,000**	**4,273**	**108**	**-**	**22,411**	**-**	**29,792**
Additions during the year	1,363	5,017	-	-	4,062	7,724	18,166
Transfers from investment properties (Note 7)	-	-	-	52,324	-	-	52,324
At December 31, 2009	**4,363**	**9,290**	**108**	**52,324**	**26,473**	**7,724**	**100,282**
Accumulated depreciation							
At December 31, 2007	285	327	-	-	-	-	612
Acquisition from subsidiary (Note 10)	46	917	51	-	-	-	1,014
Charge for the year	607	1,182	22	-	-	-	1,811
At December 31, 2008	938	2,426	73	-		--	3,437
Charge for the year	942	2,241	22	-	1,234	-	4,439
At December 31, 2009	**1,880**	**4,667**	**95**	**-**	**1,234**	**-**	**7,876**
Carrying amount							
At December 31, 2009	**2,483**	**4,623**	**13**	**52,324**	**25,239**	**7,724**	**92,406**
At December 31, 2008	2,062	1,847	35	-	22,411	-	26,355

12. Other assets

	December 31, 2009 AED '000	December 31, 2008 AED '000
Advances paid for the purchase of investment properties	8,176	14,355
Advances to suppliers	740	9,745
Advances paid for the purchase of shares	7,149	45,369
Prepayments	1,723	2,383
Profit receivable	934	1,870
Due from customers (brokerage operation)	45,022	40,455
Others	10,003	11,752
	73,747	125,929
Provision for due from customers (brokerage operation)	(9,973)	(882)
	63,774	**125,047**

Movement in the provision for due from customers (brokerage operation):

	2009 AED '000	2008 AED '000
Balance at January 1, 2009	882	1,022
Charged during the year	9,091	-
Write-off during the year	-	(140)
Balance at December 31,	**9,973**	**882**

13. Wakala deposits

Wakala deposits represent amounts received by the Group (Wakeel) from corporate customers (Muwakkil) and carry profit rates ranging between 3.5% to 4.5% (2008: 4.1% to 6.4%) per annum and mature between 24 days to 1 year. Any profit exceeding the expected profit after deduction of Wakala fee may be retained by the Group as an additional incentive.

14. Other liabilities

	December 31, 2009 AED '000	December 31, 2008 AED '000
Employees' end of service benefits	1,420	876
Accounts payable	11,543	10,270
Profit payable	1,309	1,034
Accrued liabilities	1,722	2,283
Bank overdraft – subsidiary	12,934	5,438
Other liabilities	16,182	2,586
	45,110	**22,487**

The overdraft is secured by personal, joint and several guarantees of the subsidiary shareholders.

Movement in employees' end of service benefit:

	2009 AED '000	2008 AED '000
Balance at January 1, 2009	876	262
Charged during the year	845	638
Payment made during the year	(301)	(24)
Balance at December 31,	**1,420**	**876**

15. Share capital

	December 31, 2009 AED '000	December 31, 2008 AED '000
Authorised, issued and paid up capital: 1 billion ordinary shares of AED 1 each	1,000,000	1,000,000

16. 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.

17. General reserve

In accordance with the Articles of Association of the Group, 10% of the Group'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.

18. Income from financing and investing assets

	Year ended December 31, 2009 AED '000	2008 AED '000
Ijarah	23,580	14,163
Musharaka	1,089	889
Murabaha	15,776	6,455
	40,445	**21,507**

19. Income from Islamic deposits and Wakala placements

	Year ended December 31, 2009 AED '000	2008 AED '000
Income from Hiba	501	505
Income on saving accounts	264	2,166
Income on Wakala placements	7,416	8,993
Income from Mudaraba	58	7,302
Income from Murabaha placements	1,238	2,961
	9,477	**21,927**

20. Other income

	Year ended December 31, 2009 AED '000	2008 AED '000
Processing and other fees	1,992	2,523
Gain on disposal of investments carried at FVTIS	6,630	707
Gain on disposal of investment property	-	1,273
Gain on disposal of available-for-sale investment	9	2,717
Other income	5,067	6,136
	13,698	**13,356**

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

21. General and administrative expenses

	Year ended December 31, 2009 AED '000	2008 AED '000
Staff costs	20,614	19,778
Rent	1,889	1,866
Advertisement and marketing	5,405	7,843
Depreciation	4,439	1,811
Exchange loss	(445)	-
Other	9,475	9,310
	41,377	**40,608**

22. Cash and cash equivalents

	December 31, 2009 AED '000	2008 AED '000
Cash and balance with Central Bank	3,063	1,808
Current accounts	15,127	77,115
Deposits with Islamic institutions	197,000	190,075
	215,190	**268,998**
For the purpose of the consolidated statement of cash flow, cash and cash equivalent exclude:		
Islamic deposits with original maturity of more than 3 months from the date of deposit	(58,000)	(10,000)
Bank overdraft – subsidiary (note 14)	(12,934)	(5,438)
Cash and cash equivalents	**144,256**	**253,560**

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.

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

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

	December 31, 2009		
	Shareholders AED'000	Directors and key management personnel AED'000	Other related parties AED'000
Bank balances and cash	174	-	-
Islamic financing and investing assets	56,027	12,445	71,916
Wakala deposits	25,729	-	81,417
Other liabilities	6,006	-	-

	December 31, 2008		
	Shareholders AED'000	Directors and key management personnel AED'000	Other related parties AED'000
Bank balances and cash	404	-	-
Other assets	-	-	8,213
Islamic financing and investing assets	14,554	13,095	4,899
Wakala deposits	10,303	-	87,482
Other liabilities	-	-	10,608

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

	Year ended December 31, 2009		
	Shareholders AED '000	Directors and key management personnel AED '000	Other related parties AED '000
Income from Islamic financing and investing assets	3,660	721	5,274
Other income	374	-	1,037
Depositors' share of profits	472	-	3,813

	Year ended December 31, 2008		
	Shareholders AED '000	Directors and key management personnel AED '000	Other related parties AED '000
Income from Islamic financing and investing assets	838	272	168
Other income	-	-	34
Depositors' share of profits	-	-	2,397

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

	Year ended December 31,	
	2009 AED '000	2008 AED '000
Short-term benefits	3,180	3,180
Employees' end of service benefits	1,097	405
	4,277	**3,585**

24. Commitments and contingent liabilities

i) Commitments

		December 31,	
		2009 AED '000	2008 AED '000
Irrevocable commitments to extend credit	(a)	63,338	124,330
Purchase of properties	(b)	13,735	15,280
		77,073	**139,610**

Irrevocable commitments to extend credit include commitments to extend Islamic 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.

At year-end, the Group was committed to purchase investment properties.

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

ii) **Contingent liabilities**

The Group has been issued financial and non-financial guarantees on behalf of some customers and staff amounting to AED 27 million (2008: AED 8 million).

The Group 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 (2008: 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 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 throught the Group's strategic planning process.

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 conducts risk based audits of all units in the Company on a regular basis. The findings are shared with the Audit Committee of the board and the Audit and Compliance Committee of the Management.

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.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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 provision is made for any specific balances considered doubtful of recovery. The credit risk is reduced 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	
	2009	2008
	AED '000	AED '000
Cash and balances with Central Bank	3,063	1,808
Balances and deposits with banks and other financial institutions	212,127	267,190
Islamic financing and investing assets	532,935	466,261
Investment securities	218,119	169,900
Investments in associates	24,523	28,427
Other assets	62,051	122,664
	1,052,818	**1,056,250**
Contingent liabilities	148,449	133,257
Commitments	13,735	139,610
	162,184	**272,867**

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

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its Islamic financing and investing portfolio.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of impaired assets.

	Financial assets at amortised cost December 31, 2009 AED '000	2008 AED '000	Islamic financing and investments assets December 31, 2009 AED '000	2008 AED '000
Impaired				
Overdue by 90 days	-	-	189	402
Overdue by 180 days	14,761	13,410	24,561	-
Overdue by 365 days	-	-	354	-
Gross amount	**14,761**	**13,410**	**25,104**	**402**
Specific allowance for impairment	(9,973)	(882)	(5,366)	(188)
	4,788	**12,528**	**19,738**	**214**
Past due but not impaired	**29,521**	**26,323**	**26,111**	**-**
	29,521	26,323	26,111	-
Neither past due nor impaired				
Gross amount	740	722	487,086	466,047
Carrying amount	**35,049**	**39,633**	**532,935**	**466,261**

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 other price risk, such as equity risk. Financial instruments affected by market risk include financing and deposits and available-for-sale 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 available for sale investment and advances for purchase of shares held in Egyptian Pounds (EGP) and it is also exposed to Euro for its available for sale of investments. The table below indicates the Group's foreign currency exposure at 31 December 2009, 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 income statement.

	Increase/ decrease in EGP rate to AED	Effect on profit AED '000
2009	**3 %**	**4,053**
2008	3 %	4,040

	Increase/ decrease in Euro rate to AED	Effect on profit AED '000
2009	**3 %**	**338**
2008	3 %	310

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.

	2009		2008	
	Change in equity price	Net Effect on equity AED 000	Change in Equity Price	Net Effect on Equity AED'000
Shares listed in Dubai Financial Market	10 %	1,689	10 %	1,232

Profit rate risk

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

The sensitivity of the consolidated income statement 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 2009.

The following table demonstrates the sensitivity of the consolidated income statement 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
2009	50	2,805
2008	50	2,383

There is no impact on the Group's equity, other than implied effect through profit and 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 December 31, 2009 and 2008, based on contractual payment dates and current market profit rates.

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

Maturities of financial assets and liabilities - December 31, 2009

	Within 3 months AED '000	Over 3 to 6 months AED '000	6 to 12 months AED '000	Over 1 to 5 years AED '000	Over 5 years AED '000	Total AED '000
Financial assets						
Cash and balances with Central Bank	3,063	-	-	-	-	3,063
Balance and deposits with banks and other Financial institutions	154,127	48,000	10,000	-	-	212,127
Islamic financing and investing assets	20,354	26,078	70,119	98,215	318,169	532,935
Investments in securities	16,846	-	12,437	150,637	38,199	218,119
Other assets	934	2,463	51,505	7,149	-	62,051
Total	**195,324**	**76,541**	**144,061**	**256,001**	**356,368**	**1,028,295**
Financial Liabilities						
Wakala deposits	122,179	78	27,000	2,578	-	151,835
Other liabilities	15,362	12,852	2,189	10,514	4,193	45,110
Total	**137,541**	**12,930**	**29,189**	**13,092**	**4,193**	**196,945**

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

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).

	December 31, 2009			
	Level 1 AED '000	**Level 2 AED '000**	**Level 3 AED '000**	**Total AED '000**
Financial assets at FVTIS				
- Equities	16,846	-	-	16,846
Available for sale investments:				
- Equities	5,296	-	173,684	178,980
- Investment funds-	-	-	18,052	18,052
- Sukuk	-	-	4,241	4,241
Total	**22,142**	**-**	**195,977**	**218,119**

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

Reconciliation of Level 3 fair value measurements of financial assets

	December 31, 2009 AED '000
At January 1, 2009	149,725
Net movement during the year	46,356
Other comprehensive income	(104)
At December 31, 2009	195,977

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

The investments classified under level 3 categories have been carried at cost. Cost is considered to be the best estimate of fair value as there are no indicators that the cost might not be representative of fair value for such unquoted equity instruments.

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 2008.

27. Non adjusting subsequent events

On November 27, 2009, the Board of directors resolved to apply for listing of the shares of the Company into Dubai Financial Market after complying with the procedures necessary to convert from a private joint stock company into public shareholding company. Subsequent to the consolidated financial position date, the Company has completed the necessary procedures to convert the Company to public shareholding company, and the management is of the intention that they will list between June to September 2010.

28. Zakat

Zakat as approved by the Company's Fatwa and Sharia Supervisory Board (FSSB) amounted to AED 0.023 per share. The Memorandum and Articles of Association of the company requires deducting and depositing the Zakat in a separate fund that is to be managed by a committee constituted for this purpose. However since the fund hasn't been established and the Board of directors intended to propose altering the Memorandum and Articles of association to this effect in the next shareholders' extraordinary general meeting, the Board of directors has opted to communicate the amount of Zakat payable to each shareholder, requiring them to pay their share of Zakat directly. The FSSB hereby calls the shareholders to pay the zakat due on them to its eligible recipients in order to purify their wealth, fulfill their obligation and perform the third pillar of Islam.

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

التقرير السنوي ٢٠٠٩

موارد MAWARID

FINANCE للتمويل

Falak Tayyeb! فالك طيب