

Tamweel PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2011



DIRECTORS' REPORT

The Board of Directors of Tamweel P.J.S.C. (the "Company") and subsidiaries (the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as of 31 December 2011, and the related consolidated statements of income, cash flows and changes in equity for the year ended 31 December 2011.

Principal activities

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. The activities of the Company and its Subsidiaries (together the "Group") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property leasing and trading.

Directors

The current Board of Directors consists of:

Abdulla Ali AlHamli	(Chairman)
Mohamed Abdulla Al Nahdi	(Vice Chairman)
Dr. Adnan Chilwan	(Director)
Mohammed Saeed AlSharif	(Director)
Hamad Essa Rashed Al Huraiz	(Director)
Saeed Ahmed Belhasa	(Director)
Yasser Abdulrahman Ahmad Zayed	(Director)

Outlook

Tamweel has emerged from several challenging years to reclaim its position as the leader of the UAE's home finance industry. In November 2010, following Dubai Islamic Bank significantly increasing its equity stake in the company, Tamweel resumed the origination of new business. This significant development, which effectively turned Tamweel into a subsidiary of Dubai Islamic Bank, was highly positive news for both the company and the wider industry.

Outlook (continued)

The resumption of trading in the company's shares in May 2011 was a further important milestone and confirmed that Tamweel was firmly back in business and ready to enter the next phase of its growth story.

While 2011 witnessed significant success for the Company as evidenced by resuming new business origination, the resumption of share trading, and reporting a healthy profit, Tamweel also reclaimed its product and services innovation, and customer service excellence, as exemplified by the launch of the "Home Finance Plus" product, the fully integrated home finance solution. While Tamweel achieved sustained growth during 2011, it did so by taking a conservative and prudent approach to booking high-quality end users.

To the great benefit of homeowners in the UAE, Tamweel's return to the market has prompted other home finance providers to improve their offering. This much needed boost to the competitive landscape of the UAE home finance market has in turn helped to support the continued recovery of the country's real estate sector.

With the UAE's world-class infrastructure, competitive property prices, and ever increasing population, the outlook for the industry is positive despite the sobering outlook for the global economy. With a sound financial base and proven, customer-centric business model, Tamweel enters 2012 with great optimism and is excellently positioned to achieve its ambitious goals in the coming year.

For the continued and sustained growth of the Company, a comprehensive funding strategy has been developed. A Sukuk for USD 300 million was successfully closed in Jan 2012. The growth of the Company will be suitably supported by relevant funding products including Sukuks and Residential Asset Backed Sukuk program.

Financial results

The Group has recorded a net profit of AED 101,867 thousand in 2011 (2010: net profit of AED 26,024 thousand). Income from Islamic financing and investing assets in 2011 increased to AED 558,902 thousand compared to AED 553,208 thousand in 2010.

Islamic financing and investing assets in 2011 increased to AED 9,299,603 thousand compared to AED 9,157,806 thousand in 2010.



DIRECTORS' REPORT - continued

Financial Results (continued)

In accordance with the Articles of Association of the Company and UAE Commercial Companies Law of 1984, an appropriation of AED 10,187 thousand is made to general reserve and AED 10,187 thousand to statutory reserve.

Total equity as at 31 December 2011 amounts to AED 2,292,520 thousand (2010: AED 2,225,256 thousand).

Proposed dividend

The Board of Directors has proposed a dividend of AED 0.05 per share totaling to AED 50 million (2010: AED Nil), which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Auditors

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2011. Ernst & Young is eligible for reappointment for 2012.

On behalf of the Board

Abdulla Ali AlHamli
Chairman
29 January 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAMWEEL PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tamweel PJSC ("the Company") and its subsidiaries, (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Tamweel PJSC and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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.

Opinion

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

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Company; proper books of account have been kept by the Company and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Company have occurred during the year which would have had a material effect on the business of the Company or on its financial position.

Ernst & Young

Signed by
Joe Murphy
Partner
Registration No. 492

29 January 2012

Dubai, United Arab Emirates

Tamweel PJSC and its Subsidiaries
CONSOLIDATED STATEMENT OF INCOME
Year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Income from Islamic financing and investing assets	6	558,902	553,208
Commission and other income	7	42,022	91,442
Income from sale of properties held for sale	8	-	1,467
OPERATING INCOME		<u>600,924</u>	<u>646,117</u>
General and administrative expenses	9	(102,043)	(99,419)
Impairment provisions, net	10	(57,530)	(159,886)
Other Impairment loss	11	(12,217)	-
PROFIT BEFORE DEPOSITORS'/INVESTORS' SHARE OF PROFIT AND RELATED COSTS		<u>429,134</u>	<u>386,812</u>
Depositors'/investors' share of profit and related costs	12	(327,267)	(360,788)
PROFIT FOR THE YEAR		<u><u>101,867</u></u>	<u><u>26,024</u></u>
Earnings per share:			
Basic earnings per share (AED)	13	<u>0.10</u>	<u>0.03</u>
Diluted earnings per share (AED)	13	<u>N.A.</u>	<u>N.A.</u>

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

Tamweel PJSC and its subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
PROFIT FOR THE YEAR	101,867	26,024
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	101,867	26,024

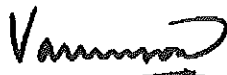
The attached notes 1 to 35 form part of these financial statements.

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

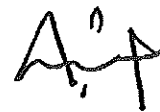
At 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
ASSETS			
Bank balances and cash	14	187,519	482,263
Advances, prepayments and other receivables	15	79,527	64,224
Properties held for sale	16	387,203	409,591
Other investments	17	46,787	46,927
Islamic financing and investing assets	18	9,299,603	9,157,806
Property and equipment	19	27,373	32,366
TOTAL ASSETS		10,028,012	10,193,177
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		66,326	85,803
Accounts payable, accruals and other liabilities	20	256,462	263,576
Financing obligations	21	7,412,704	7,618,542
Total liabilities		7,735,492	7,967,921
Equity			
Share capital	22	1,000,000	1,000,000
Employees' benefit plan	23	(10,701)	(10,646)
Statutory reserve	24	195,336	185,149
General reserve	25	538,980	528,793
Special reserve	26	102,951	102,951
Retained earnings		451,155	390,303
Convertible sukuk equity component		14,799	28,706
Total equity		2,292,520	2,225,256
TOTAL LIABILITIES AND EQUITY		10,028,012	10,193,177



Acting Chief Executive Officer

29 January 2012



Chairman

29 January 2012

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

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	<i>Notes</i>	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
OPERATING ACTIVITIES			
Profit for the year		101,867	26,024
Adjustments for:			
Depreciation	19	5,362	5,869
Property and equipment written off		-	5,012
Amortisation of deferred cost	12	6,599	11,339
Provision for employees' end of service benefits		2,128	2,099
Impairment provisions, net		57,530	159,886
Depositors'/investors' share of profit and related costs		320,668	349,449
Income on mudaraba deposits and wakala investments	7	(11,719)	(20,983)
		<u>482,435</u>	<u>538,695</u>
Working capital changes:			
Islamic financing and investing assets		(173,409)	1,035,616
Properties held for sale		-	21,371
Other investments		(890)	739
Advances, prepayments and other receivables		(21,976)	24,046
Financing obligations		(208,264)	(863,320)
Accounts payable, accruals and other liabilities		(6,656)	(415,804)
		<u>71,240</u>	<u>341,343</u>
Cash from operations		71,240	341,343
Depositors'/investors' share of profit and related cost paid		(322,574)	(367,295)
Employees' end of service benefits paid		(1,031)	(2,259)
Zakat paid		(53,729)	(11,887)
		<u>(306,094)</u>	<u>(40,098)</u>
Net cash used in operating activities		(306,094)	(40,098)
INVESTING ACTIVITIES			
Additions to property and equipment	19	(369)	(6,508)
Income received on mudaraba deposits and wakala investments		11,719	20,983
		<u>11,350</u>	<u>14,475</u>
Net cash from investing activities		11,350	14,475
DECREASE IN CASH AND CASH EQUIVALENTS			
		<u>(294,744)</u>	<u>(25,623)</u>
Cash and cash equivalents at 1 January		482,263	507,886
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	<u><u>187,519</u></u>	<u><u>482,263</u></u>

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

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital AED '000	Employees' benefit plan AED '000	Statutory reserve AED '000	General reserve AED '000	Special reserve AED '000	Retained earnings AED '000	Convertible sukuk equity component AED '000	Total AED '000
Balance at 1 January 2010	1,000,000	(9,222)	182,547	526,191	102,951	383,465	42,613	2,228,545
Total comprehensive income for the year	-	-	-	-	-	26,024	-	26,024
Shares forfeited under employees' benefit plan	-	(1,424)	-	-	-	(21)	-	(1,445)
Directors' fees appropriation reversed	-	-	-	-	-	4,206	-	4,206
Equity component of convertible sukuk	-	-	-	-	-	13,907	(13,907)	-
Transfer to statutory reserve (Note 24)	-	-	2,602	-	-	(2,602)	-	-
Transfer to general reserve (Note 25)	-	-	-	2,602	-	(2,602)	-	-
Zakat	-	-	-	-	-	(32,074)	-	(32,074)
Balance at 31 December 2010	1,000,000	(10,646)	185,149	528,793	102,951	390,303	28,706	2,225,256

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

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital AED '000	Employees' benefit plan AED '000	Statutory reserve AED '000	General reserve AED '000	Special reserve AED '000	Retained earnings AED '000	Convertible sukuk equity component AED '000	Total AED '000
Balance at 1 January 2011	1,000,000	(10,646)	185,149	528,793	102,951	390,303	28,706	2,225,256
Total comprehensive income for the year	-	-	-	-	-	101,867	-	101,867
Shares forfeited under employees' benefit plan	-	(55)	-	-	-	(1)	-	(56)
Directors' fees appropriation	-	-	-	-	-	(295)	-	(295)
Equity component of convertible sukuk	-	-	-	-	-	13,907	(13,907)	-
Transfer to statutory reserve (Note 24)	-	-	10,187	-	-	(10,187)	-	-
Transfer to general reserve (Note 25)	-	-	-	10,187	-	(10,187)	-	-
Zakat	-	-	-	-	-	(34,252)	-	(34,252)
Balance at 31 December 2011	1,000,000	(10,701)	195,336	538,980	102,951	451,155	14,799	2,292,520

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

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

1 THE COMPANY AND ITS OPERATIONS

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

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities such as Ijara, Murabaha, Istisna'a etc. The activities of the Company and its Subsidiaries (together the "Group") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property leasing and trading.

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

The Group consists of Tamweel PJSC (the Parent Company) and its subsidiaries registered up to 31 December 2011, as listed below:

<i>Subsidiaries</i>	<i>Beneficial ownership</i>		<i>Principal activity</i>	<i>Country of Incorporation</i>
	<i>31 December 2011</i>	<i>31 December 2010</i>		
Tamweel Properties & Investments LLC	100%	100%	Business of property leasing and trading	UAE
Tahfeez Middle East Limited	100%	100%	General trading	JAFZA, Dubai, UAE
Tamweel Funding Limited	100%	100%	SPE for issuance of convertible sukuk	Jersey
Tamweel Sukuk Limited	100%	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	100%	SPE for employees' benefit plan	British Virgin Islands

Effective November 2010 Tamweel PJSC is a 58.25% subsidiary of Dubai Islamic Bank PJSC. Trading in the Company's shares on the Dubai Financial Market which was suspended since November 2008 resumed on 10 May 2011.

2 BASIS OF PREPARATION

Statement of compliance

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

Basis of consolidation

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

The consolidated financial statements comprise the financial statements of Tamweel PJSC (the Company) and its subsidiaries listed in note 1 (collectively "the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the early adoption of IFRS 9 and adoption of the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

Adoption of IFRS 9 Financial Instruments: Recognition and Measurement

The Group has adopted IFRS 9 Financial Instruments (IFRS 9) in 2011 in advance of its effective date. The Group has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets). As permitted by IFRS 9, the Standard has been applied retrospectively.

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.

Debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortised cost criteria the entity may choose at initial recognition to designate the financial assets as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. The Group has elected not to designate any debt instruments as FVTPL under the fair value option.

Only financial assets that are classified as measured at amortised cost are tested for impairment.

Investments in equity instruments are classified and measured as at FVTPL except if the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income are recognised in other comprehensive income and are not subsequently reclassified to profit or loss.

The management has reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Group's investments in debt instruments meeting the required criteria are measured at amortised cost;
- the Group's equity investments not held for trading have been designate as at FVTOCI;

The change in accounting policy has been applied retrospectively, in accordance with the transitional provisions of IFRS 9, where no restatement of comparative figures was applied.

There is no impact to the reported equity or income resulting from this change in accounting policy.

New and amended standards and Interpretations

IAS 24 Related Party Disclosures (amendment) effective 1 January 2011

IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

2 BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

IFRS 3 Business Combinations

The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value. The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011 and are not expected to have any impact on the financial position or performance of the Group.

IFRS 7 Financial Instruments Disclosures

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The adoption of the amendment did not result in material changes to the disclosures required by the Group.

IAS 1 Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group does not have any component in statement of comprehensive income.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

2 BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)

IAS 27 Consolidated and Separate Financial Statements IAS 34 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above standards, amendments and interpretations to the accounting policies did not have any impact on the financial position or performance of the Group:

Other new and amended IFRS and IFRIC interpretations effective as of 1 January 2011 did not have any impact on the accounting policies, financial position or performance of the Group.

IASB Standards and Interpretations issued at 31 December 2011 but not yet effective

Except for early adoption of IFRS 9 as described above, the Group has not early adopted the IASB standards issued but not yet effective up to the date of issuance of the Group's financial statements and are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income
IAS 27 Separate Financial Statements (as revised in 2011)
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements
IFRS 9 Financial Instruments: Classification and Measurement
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Involvement with Other Entities
IFRS 13 Fair Value Measurement

The Group, however, expects no significant impact from the adoption of the amendments on its financial position or performance.

Basis of measurement

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

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

3 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

Judgements

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

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

3 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES (continued)

Classification of financial assets

Management decides on acquisition of an investment whether it should be classified as carried at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For those investments carried at amortised cost, management ensures that the requirements of IFRS 9 are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments carried at fair value through profit or loss, if they are acquired primarily for the purpose of making a short term profit by the dealers.

All other investments are classified as carried at fair value through other comprehensive income.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Impairment losses on Islamic financing and investing assets

The Group reviews its Islamic financing and investing assets on a regular basis to assess whether a provision for impairment should be recorded in the statement of income in relation to any non-performing assets. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

Collective impairment provisions on Islamic financing and investing assets

In addition to specific provisions against individually significant Islamic financing and investing assets, the Group also makes collective impairment provisions against facilities which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for facilities within each grade and is adjusted to reflect current economic changes.

Valuation of properties held for sale

The Group hires the service of third party valuers for obtaining estimates of the values of properties held for sale.

4 DEFINITIONS OF SIGNIFICANT TERMS

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

Sharia'a

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

Ijara

Ijara (Ijara Muntahla Bittamleek) is an agreement whereby the Group (in its capacity as a lessor,) leases an asset to the customer (as lessee), after buying/acquiring the specified asset according to the customer's request, against certain rental payments for specified lease term/periods. The duration of the lease term, as well as the basis for rental, are set and agreed in advance. The Group retains legal ownership of the asset throughout the arrangement. The arrangement could end by transferring the ownership of the asset to the lessee.

Istisna'a

Istisna'a is a sale contract whereby the Group undertakes to construct for the customer, a specific asset or property according to certain agreed upon specifications at a pre-determined price and for a fixed date of delivery. The work undertaken is not restricted to be accomplished by the Group alone and the whole or part of the construction can be undertaken by third parties under the Group's control and responsibility.

Tamweel PJSC and its Subsidiaries

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At 31 December 2011

4 DEFINITIONS OF SIGNIFICANT TERMS (continued)

Murabaha

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

Forward Ijara

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

Mudaraba

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

Wakala

An agreement whereby the Group provides a certain sum of money to an investment agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. The agent is obliged to return the invested amount in case of default, negligence or violation of the terms and conditions of the Wakala.

Sukuk

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

5 SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

Ijara income

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

Murabaha income

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

Istisna'a income

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

Forward Ijara income

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

Sale of properties held for sale

Sale of properties held for sale is recognised on full accrual method as and when the risk and reward and control is transferred to the buyer.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Processing fees

Processing fees are recognised when the services are provided.

Other income

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

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

Financial assets as per IFRS 9

All financial assets are recognised and derecognised on the 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 that are directly attributable to the acquisition of the financial asset, except for those financial assets measured subsequently at fair value through profit or loss, which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

An instrument is classified as an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are classified as 'debt instruments'.

Financial assets measured at amortised cost

Investment in debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss (FVTPL)). They are subsequently measured at amortised cost using the effective profit method less any impairment, with profit revenue recognised on an effective yield basis in the consolidated statement of income.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Financial assets at FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Financial assets as per IFRS 9 (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value, within equity. Where the asset is disposed of, the cumulative gain or loss previously accumulated is not transferred to the consolidated statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective profit rate basis for debt instruments other than those financial assets designated as at FVTPL.

Cash and cash equivalents

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

Islamic financing and investing assets

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

Properties held for sale

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

Property and equipment

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

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

Buildings	20 years
Leasehold improvements, furniture and fixtures	5 to 10 years
Software licenses, networks and computer equipment	3 to 8 years
Motor vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Securitisation

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

- i) a fully proportionate share of all or of specifically identified cash flows have been transferred to the holders of the securities, in which case that proportion of the assets are derecognised;
- ii) substantially all the risks and rewards associated with the assets have been transferred, in which case the assets are fully derecognised; or
- iii) if a significant proportion of the risks and rewards have been transferred, the assets are recognised only to the extent of the Group's continuing involvement.

Zakat

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

- Zakat on shareholders' equity is computed at 2.5775% of the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on the paid up capital is not included in the Zakat computations and is payable by the shareholders personally.

Zakat is charged to statement of changes in equity.

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end-of-service benefits

For its national employees, the Group makes contributions to the pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognised in the statement of comprehensive income when due.

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

Employees' benefit plan shares

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

Convertible Sukuk

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

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

5 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Share-based payments

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

Foreign currencies

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

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets measured at FVTPL, the foreign exchange component is recognised in the consolidated statement of income. For financial assets measured at FVTOCI any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in other income in the consolidated statement of income.

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

Fair values

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

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

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

Offsetting

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

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

6 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Ijara and Forward Ijara (constructed and handed over properties)	482,345	463,985
Istisna'a and Forward Ijara (under construction properties)	39,971	62,946
Murabaha and Mudaraba	2,480	9,610
Processing fees, other fees and commission income	34,106	16,667
	<u>558,902</u>	<u>553,208</u>

7 COMMISSION AND OTHER INCOME

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Income on mudaraba deposits and wakala investments	11,719	20,983
Takaful income	11,500	9,805
Portfolio management fee (Note 32)	10,500	-
Gain on consolidation, reacquisition and foreclosure of properties	-	35,368
Reversal of provisions no longer required	1,020	18,795
Others	7,283	6,491
	<u>42,022</u>	<u>91,442</u>

8 INCOME FROM SALE OF PROPERTIES HELD FOR SALE

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Revenue on properties sold	-	7,369
Cost of properties sold	-	(5,902)
	<u>-</u>	<u>1,467</u>

9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Staff costs	64,180	57,783
Legal and professional charges	10,384	13,212
Advertisement and sales promotion	7,117	1,668
Depreciation (Note 19)	5,362	5,869
Office rent	1,399	6,248
Other expenses	13,601	14,639
	<u>102,043</u>	<u>99,419</u>

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

10 IMPAIRMENT PROVISIONS, NET

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Provision for impairment - Islamic financing and investing assets (Note 18)	13,500	110,750
- Properties held for sale (Note 16)	40,500	46,646
Provision for impairment on other receivables	2,500	2,490
Provision for impairment on other investments	1,030	-
	<u>57,530</u>	<u>159,886</u>

11 OTHER IMPAIRMENT LOSS

During the year, a loss of AED 12,217 thousand was recorded due to an unfavourable outcome of litigation in respect of an asset sale transaction in a prior year.

12 DEPOSITORS'/INVESTORS' SHARE OF PROFIT AND RELATED COSTS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Financing obligations	318,556	345,813
Amortisation of deferred cost	6,599	11,339
Others	2,112	3,636
	<u>327,267</u>	<u>360,788</u>

13 EARNINGS PER SHARE – BASIC AND DILUTED

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

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

Basic earnings per share

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Profit for the year net of directors' remuneration	<u>101,572</u>	<u>30,230</u>
	<i>Number of shares '000</i>	
Weighted average number of shares outstanding during the year	<u>1,000,000</u>	<u>1,000,000</u>
Basic earnings per share (AED)	<u>0.10</u>	<u>0.03</u>

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

13 EARNINGS PER SHARE – BASIC AND DILUTED (continued)

Diluted earnings per share	2011 AED'000	2010 AED'000
Profit for the year net of directors' remuneration	101,572	30,230
Add: Profit on convertible Sukuk	47,498	47,509
	<u>149,070</u>	<u>77,739</u>
	<i>Number of shares</i>	
Weighted average number of shares outstanding during the year (in thousands)	<u>1,136,338</u>	<u>1,136,338</u>
Diluted earnings per share (AED)	<u>N.A.</u>	<u>N.A.</u>

Diluted earnings per share for the years ended 31 December 2011 and 31 December 2010 have not been calculated since the conversion of the sukuk into ordinary shares would have an antidilutive effect.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements for issuance. The Group holds 10,700,877 (2010: 10,645,877) shares under the employees' benefit plan, the impact of which on the earning per share is not material.

14 BANK BALANCES AND CASH

	2011 AED'000	2010 AED'000
Bank balances	187,494	482,238
Cash in hand	25	25
	<u>187,519</u>	<u>482,263</u>

Almost all the bank balances are held with banks within the UAE, are profit generating and earn profit at an average profit rate of 2.35% (2010: 3.3%).

15 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2011 AED'000	2010 AED'000
Receivable on Notes	48,530	41,423
Portfolio management fee receivable	10,500	-
Receivable from developers	8,589	13,339
Commission receivable	8,642	8,642
Deferred cost	2,833	4,622
Receivable under employees' benefit plan	2,344	2,550
Prepaid expenses	1,466	1,025
Others	10,257	3,757
	<u>93,161</u>	<u>75,358</u>
Less: Provision for impairment	(13,634)	(11,134)
	<u>79,527</u>	<u>64,224</u>

Tamweel PJSC and its Subsidiaries

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16 PROPERTIES HELD FOR SALE

	2011 AED'000	2010 AED'000
Balance as at 1 January	578,232	718,402
Properties consolidated (see note (a) below)	-	(239,883)
Transferred to property and equipment (Note 19)	-	(21,779)
Properties acquired	18,112	127,394
Properties disposed off	-	(5,902)
	<u>596,344</u>	<u>578,232</u>
Provision for impairment	(209,141)	(168,641)
	<u>387,203</u>	<u>409,591</u>

(a) In respect of certain properties held for sale, during 2010 the Group agreed to a consolidation with the property developer whereby the developer agreed to cancel the sale of certain properties to the Group and adjust the amounts paid for such properties against payable to the property developer in respect of the other properties purchased. Accordingly, cost of such properties held for sale and its related payable were reversed and the related impairment provision were either reversed or written off.

(b) Properties held for sale are located within the UAE.

Impairment provision

Movements in the impairment provision were as follows:

	2011 AED'000	2010 AED'000
At 1 January	168,641	188,700
Provision made during the year	40,500	46,646
Impairment provision written off upon consolidation (see note (a) above)	-	(66,705)
	<u>209,141</u>	<u>168,641</u>

17 OTHER INVESTMENTS

	2011 AED'000	2010 AED'000
<i>Investment measured at fair value through other comprehensive income (FVTOCI): (within the UAE)</i>		
Quoted - mutual fund units (a)	1,030	1,030
Others (b)	920	920
	<u>1,950</u>	<u>1,950</u>
<i>Investments measured at amortised costs: (outside the UAE)</i>		
Investments in Notes (c)	29,273	31,180
Profit on Notes	17,514	14,717
	<u>46,787</u>	<u>45,897</u>
	48,737	47,847
Less: Provision for impairment	(1,950)	(920)
	<u>46,787</u>	<u>46,927</u>

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

17 OTHER INVESTMENTS (continued)

- (a) The fair value of investments in mutual fund units is based on the last bid price as published by the fund manager.
- (b) This represents advances against equity shares to be allotted and has been fully provided for.
- (c) This represents the investment made in the notes issued by Tamweel Residential ABS CI (1) Ltd in the Cayman Islands. The applicable expected profit rate ranges from 3.95% to 10% above LIBOR. The maturity of these Notes is the earlier of the year 2037 or the expiry of the securitised receivables.

18 ISLAMIC FINANCING AND INVESTING ASSETS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Ijara and Forward Ijara (constructed and handed over properties)	7,084,638	6,151,664
Gross Murabaha and Mudaraba receivables	363,642	404,439
Less: Deferred profit	(8,599)	(12,616)
Net Murabaha and Mudaraba receivables	<u>355,043</u>	<u>391,823</u>
Istisna'a and Forward Ijara (under construction properties)	2,274,998	2,978,392
	9,714,679	9,521,879
Less: Profit suspended	(70,922)	(33,419)
Less: Provision for impairment	(344,154)	(330,654)
	<u><u>9,299,603</u></u>	<u><u>9,157,806</u></u>

All the assets financed by the Group are within the UAE. Included in the Islamic financing and investing assets are profit accruals amounting to AED 296,500 thousand (2010: AED 343,885 thousand).

Provisions for Impairment

Movements in the provision for impairment were as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
At 1 January	330,654	219,904
Provision made during the year	13,500	110,750
At 31 December	<u><u>344,154</u></u>	<u><u>330,654</u></u>

Collateral

The Group enters into collateral arrangements with counter parties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the legal ownership of the finance property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

19 PROPERTY AND EQUIPMENT

	<i>Buildings</i> AED'000	<i>Leasehold Improvements, furniture and fixtures</i> AED'000	<i>Software licenses, networks and computer equipment</i> AED'000	<i>Motor vehicles</i> AED'000	<i>Capital work-in- progress</i> AED'000	<i>Total</i> AED'000
Cost:						
At 1 January 2011	21,779	12,381	18,509	-	315	52,984
Additions	-	109	-	104	156	369
Transfers	-	80	105	-	(185)	-
Disposals	-	-	(2,741)	-	-	(2,741)
At 31 December 2011	<u>21,779</u>	<u>12,570</u>	<u>15,873</u>	<u>104</u>	<u>286</u>	<u>50,612</u>
Depreciation:						
At 1 January 2011	1,468	6,211	12,939	-	-	20,618
Charge for the year	1,055	1,708	2,589	10	-	5,362
Relating to disposals	-	-	(2,741)	-	-	(2,741)
At 31 December 2011	<u>2,523</u>	<u>7,919</u>	<u>12,787</u>	<u>10</u>	<u>-</u>	<u>23,239</u>
Net book value:						
At 31 December 2011	<u>19,256</u>	<u>4,651</u>	<u>3,086</u>	<u>94</u>	<u>286</u>	<u>27,373</u>

	<i>Buildings</i> AED'000	<i>Leasehold Improvements, furniture and fixtures</i> AED'000	<i>Software licenses, networks and computer equipment</i> AED'000	<i>Motor vehicles</i> AED'000	<i>Capital work-in- progress</i> AED'000	<i>Total</i> AED'000
Cost:						
At 1 January 2010	-	15,530	15,533	-	633	31,696
Additions	-	3,850	2,284	-	374	6,508
Transfers	-	-	692	-	(692)	-
Transferred from properties held for sale (Note 16)	21,779	-	-	-	-	21,779
Write offs	-	(6,999)	-	-	-	(6,999)
At 31 December 2010	<u>21,779</u>	<u>12,381</u>	<u>18,509</u>	<u>-</u>	<u>315</u>	<u>52,984</u>
Depreciation:						
At 1 January 2010	-	6,755	9,981	-	-	16,736
Charge for the year	1,468	1,443	2,958	-	-	5,869
Relating to write offs	-	(1,987)	-	-	-	(1,987)
At 31 December 2010	<u>1,468</u>	<u>6,211</u>	<u>12,939</u>	<u>-</u>	<u>-</u>	<u>20,618</u>
Net book value:						
At 31 December 2010	<u>20,311</u>	<u>6,170</u>	<u>5,570</u>	<u>-</u>	<u>315</u>	<u>32,366</u>

Tamweel PJSC and its Subsidiaries

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At 31 December 2011

20 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Profit payable on financing obligations	51,031	52,937
Accounts payable	57,928	63,056
Property purchase payables	51,000	55,194
Developers' payables	19,686	-
Dividends payable	18,752	18,784
Takaful payable	11,996	19,196
Employees' end of service benefits	6,223	5,126
Payable under escrow accounts	3,041	22,511
Accrual and other liabilities	36,805	26,772
	<u>256,462</u>	<u>263,576</u>

21 FINANCING OBLIGATIONS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Wakalas	3,677,430	3,968,558
Mudarabas (Note 32)	1,550,000	1,481,043
Sukuk	1,100,000	1,100,000
Convertible Sukuk	1,085,274	1,068,941
	<u>7,412,704</u>	<u>7,618,542</u>

Wakalas

Wakalas represent investment amounts received by the Group (Wakel) from customers (Muwakkils) for investment purposes to generate profits for the Muwakkils. Any profit exceeding the expected profit after deduction of wakala fee is allowed to be kept by the Group as a performance incentive. The effective average profit rate on these Wakalas is 4% (2010: 4%)

Mudarabas

Mudarabas represent funds for investment in the Group's (Mudareb's) on-going real estate investment activities (the Project) on a mudaraba basis. The actual profit generated by investing the Mudaraba capital is shared between the Rab Al Mal and the Mudareb based on a pre agreed profit distribution ratio. Further, the Rab Al Mals agree to reward the Mudareb for profits earned by it in excess of a minimum return (based on EIBOR) determined at inception as a performance incentive/bonus for profitable, efficient and safe deployment of the Rab Al Mal's capital. The effective average profit rate on these Mudarabas is 3.95% (2010: 3.6%). All these Mudarabas are short term to medium term.

Sukuk

In July 2008, the Group issued Trust Certificates (Investment Sukuk), for the total value of AED 1,100 million through Tamweel Sukuk Limited, which are listed on NASDAQ Dubai. The Investment Sukuk is structured to conform to principles of Islamic Sharia'a, matures in 2013 and has an expected profit rate of 3M EIBOR + 225 basis points per annum, to be paid quarterly in arrears.

Tamweel PJSC and its Subsidiaries

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21 FINANCING OBLIGATIONS (continued)

Convertible Sukuk

In January 2008, the Group issued a convertible sukuk in the form of Trust Certificates / Shirkat -ul-Milk ("the Sukuk"), for a total value of USD 300 million, which are listed on NASDAQ Dubai. The Sukuk is structured to conform to the principles of Islamic Sharia'a, matures in 2013 and has a fixed profit rate of 4.31% per annum, to be paid on a quarterly basis in arrears. The reference share price (the relevant exchange price) for conversion, to which an exchange premium of 20.5% will apply, was taken as the closing price of the Parent Company's share as of 13 December 2008. This exchange premium was subsequently reduced to 16.8% due to the payment of dividend for the financial year 2008. This adjustment to the exchange price was made in accordance with the terms and conditions of the transaction documents.

In accordance with the terms of the subscription, each Trust Certificate may be redeemed at the option of the Certificate holder or the issuer as follows:

- a) At the option of the Certificate holder through "Voluntary Early Redemption" at any time one year after the issue date subject to satisfying certain conditions. At the option of the issuer, either the shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be based on the arithmetic average of the volume weighted average price of the shares on each trading day during the last 10 consecutive trading days, multiplied by the number of shares that would have been issued under the equity settlement.
- b) At the option of the issuer at any time 3 years after the issue date through "Optional Partial Redemption" subject to satisfying certain conditions. In case of Optional Partial Redemption, either shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be arrived similarly as in the case of Voluntary Early redemption.

At the time of final maturity, any remaining Trust Certificates will be redeemed in full by the issuer in cash at face value plus any unpaid profit amount.

The Convertible Sukuk has been included under financing obligations in the statement of financial position as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Proceeds from issue of convertible sukuk	1,101,840	1,101,840
Less: Unamortised issuance costs	(2,427)	(4,853)
Net proceeds from convertible sukuk	1,099,413	1,096,987
Less: Equity component on initial recognition	(69,534)	(69,534)
Liability component	1,029,879	1,027,453
Add: Exchange difference	660	660
Add: Additional profit at effective rate	54,735	40,828
	<u>1,085,274</u>	<u>1,068,941</u>

22 SHARE CAPITAL

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Authorised, issued and paid up 1,000,000,000 ordinary shares of AED 1 each (31 December 2010: 1,000,000,000 ordinary shares of AED 1 each)	<u>1,000,000</u>	<u>1,000,000</u>

Tamweel PJSC and its Subsidiaries

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23 EMPLOYEES' BENEFIT PLAN

On 26 February 2006, the Group established an Employee benefit plan to recognise and retain good performing key employees. The Plan gives the employee the right to purchase the Company's shares at an exercise price.

In accordance with an agreement between the shareholders of Tamweel LLC and the Group, the shareholders of Tamweel LLC agreed to transfer 18,000 shares of AED 1,000 each (equivalent to 18,000,000 shares of AED 1 each after the share split on conversion of the LLC into a PJSC) of the Company owned by them for the benefit of the Group's employees under this plan. These shares are held by two trustee companies. The cost of acquisition of these shares was AED 18 million at the rate of AED 1,000 per share of a nominal value of AED 1,000 each.

During 2011, there have been no new grants to the employees (2010: NIL) and there has been no vesting of the shares previously granted (2010: NIL). However, the Group forfeited 55,000 (2010: 1,423,500) shares on account of employees leaving the Group.

Out of these 18 million shares, the Group has granted 7,299,123 shares (2010: 7,354,123 shares) at AED 1.015 per share up to 31 December 2011, net of forfeitures. These shares vest over a period of three years.

The remaining 10,700,877 shares (2010: 10,645,877 shares) of AED 1 each held under this scheme are held as plan shares by the trustees and will be granted in the future as and when the employees meet the pre-determined criteria. When granted to employees, the difference between the fair value of these shares on the grant date and amounts recovered from employees, if any, will be charged to the statement of comprehensive income. The fair value of these shares at 31 December 2011 based on quoted price of AED 0.603 per share is AED 6.5 million.

24 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. This reserve is not available for distribution except in the circumstances as stipulated by UAE Commercial Companies Law of 1984 (as amended).

25 GENERAL RESERVE

As required by the Company's Articles of Association, 10% of the profit for the year is transferred to general reserve. As per the Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors.

26 SPECIAL RESERVE

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

27 COMMITMENTS

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Irrevocable commitments to extend credit	<u>1,167,277</u>	<u>1,776,731</u>

This represents contractual commitments to provide Islamic financing. Commitments generally have fixed expiry dates, or other termination clauses, and normally require the payment of a fee. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Tamweel PJSC and its Subsidiaries

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28 CONTINGENCIES

- a) The Group's bankers have provided a guarantee of AED 50 million (2010: AED 50 million) favouring the UAE Central Bank against the share capital.
- b) The Group's bankers have also provided a guarantee of AED 5 million (2010: AED 5 million) to the Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.
- c) The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and has been advised by its legal counsel that it is only possible, but not probable, that the action by counter parties will succeed. Accordingly, no provision for any liability has been made in these financial statements. The Group has not disclosed the financial impact associated with these claims because it cannot reasonably be estimated.

29 RISK MANAGEMENT

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement, mitigation and monitoring and by subjecting risk to limits and other controls. This process of risk management is critical to Group's continuing profitability and sustainability. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. Those risks are monitored through the Group's strategic planning process.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in its attempt to build stakeholder's value are outlined below.

Risk Management Structure

The Board is responsible for the overall risk management approach and for designing and deciding its risk strategies, policies, appetite parameters and principles.

Tamweel's Board currently has three committees: the Board Audit Committee (BAC), the Board Credit and Risk Committee (BCRC) and the Board Human Resources (HR) & Remuneration Committee. All of the Board committees function on behalf of the Board and the Board is responsible for constituting, assigning, co-opting and fixing terms of service for committee members.

Each Board committee has a written charter, approved by the Board, which describes the committee's general authority and responsibilities. The committee chair reports on the items discussed and action taken at their meetings to the Board following each committee meeting. Each committee undertakes an annual review of its charter and works with the Board to make appropriate revisions. The Board may, from time to time, establish and maintain additional committees.

Board Audit Committee

The BAC assists the Board in discharging its supervisory responsibilities with respect to the integrity of Tamweel's financial statements, its financial reporting processes and its system of internal accounting and financial controls. The BAC also assists the Board with respect to appointing and supervising Tamweel's external independent auditors and in ensuring that appropriate controls are in place for monitoring compliance with laws, regulations and supervisory requirements.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 RISK MANAGEMENT (continued)

Risk Management Structure (continued)

Board HR & Remuneration Committee

The function of the Board HR & Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities regarding assuring the ongoing independence of independent Board members, remuneration policies for Board members, remuneration for certain senior management, policies for executive variable pay, the remuneration structures in Tamweel's Human Resources policies and other matters referred to the Committee by the Board.

Board Credit & Risk Committee

The BCRC reviews Tamweel's risk profile to ensure that it is in accordance with the risk policies and appetite parameters established by the Board. The BCRC defines Tamweel's overall risk appetite and risk management policy guidelines. Such guidelines cover all risk-based aspects of Tamweel's business, including: credit risk, operational risk, liquidity risk, profit rate risk and reputational risk.

The BCRC is assisted by the Management Credit & Risk Committee (the "MCRC") and Asset Liability Committee ("ALCO") consisting of Tamweel's Senior Management.

Management Credit & Risk Committee

The MCRC which reports to the Board through BCRC oversees Tamweel's credit management strategy and policies ensuring that the credit risk taken, assets portfolio and allocation are in line with Tamweel's overall risk appetite as defined by the BCRC. The MCRC also ensures that appropriate credit and collections policies are implemented across the entire life cycle of its financing products, including origination, account management, restructuring, collections and recoveries. In particular, the MCRC approves the annual review of the Product Programme Guidelines which set out Tamweel's principal underwriting criteria.

Asset and Liability Committee

The ALCO which reports to the Board through BCRC monitors the asset performance and financial position of the Group. The ALCO is also responsible for establishing risk management standards and methodologies, monitoring liquidity and alternative funding sources, reviewing market rate risk and regulatory capital levels and determining pricing parameters and Tamweel's base profit rate.

Sharia Supervisory Board

In compliance with Tamweel's memorandum and articles of association, Tamweel has a Sharia Supervisory Board which oversees all areas of operation in order to ensure that Tamweel's activities are in accordance with Sharia principles. The Sharia'a Supervisory Board is responsible to review the operational, financing and investing activities of the Group ensuring their alignment and compliance with the principles of Islamic Sharia'a as interpreted by it. Being a supervisory board they are also required to audit the business activities undertaken and present an independent report to the shareholders with regard to the implementation of the principles of Sharia'a in the Group's overall activities.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive and up-to-date information necessary for their proper management and monitoring of risks inherent in the activities.

Types of Risk the Group is subject to:

Concentration Risk

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular nationality, industry or geographical location.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to maintain a diversified portfolio. This is further enforced by the Credit Committee's oversight. Identified concentration of credit risks are controlled and managed accordingly.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk stems mainly from day to day Islamic financing activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, credit standards and procedures.

The Group attempts to control credit risk by monitoring credit exposures, maintaining credit limits and limiting transactions with specific counterparties. The Group has built and maintains a sound credit portfolio within the guidelines of the Board approved credit policy. The Group has an established risk management process encompassing of credit approvals, control of exposures, credit policy direction to business unit, well-designed credit appraisals, review of exposures both on an individual and a portfolio basis, and incorporation of robust problem credit management procedures. Special attention is directed towards the management of past-due financing assets through a dedicated Collection Team.

The Group enters in collateral arrangements with counterparties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the ownership of the financed property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

QUANTITATIVE INFORMATION

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

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

	<i>Gross maximum exposure 2011 AED'000</i>	<i>Gross maximum exposure 2010 AED'000</i>
Bank balances (Note 14)	187,494	482,238
Advances and other receivables	88,862	69,711
Other investments (Note 17)	48,737	47,847
Islamic financing and investing assets (Note 18)	9,714,679	9,521,879
Total	10,039,772	10,121,675
Irrevocable commitments to extend credit (Note 27)	1,167,277	1,776,731

For more details on the maximum exposure to credit risk for each class of financial instrument, references should be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

The Group's financial assets, before taking into account any collateral held or other credit enhancements are analysed by business segment in note 30.

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 RISK MANAGEMENT (continued)

Credit Risk (continued)

QUANTITATIVE INFORMATION (continued)

At 31 December 2011

	<i>Neither past due nor impaired</i>		<i>Past due but not individually impaired</i> AED '000	<i>Past due and individually impaired</i> AED '000	<i>Total</i> AED '000
	<i>Normal grade</i> AED '000	<i>Watch list grade</i> AED '000			
Bank balances	187,494	-	-	-	187,494
Advances and other receivables	66,639	8,589	-	13,634	88,862
Other investments	46,787	-	-	1,950	48,737
Islamic financing and investing assets	7,866,493	719,148	156,245	972,793	9,714,679
Total	8,167,413	727,737	156,245	988,377	10,039,772

At 31 December 2010

	<i>Neither past due nor impaired</i>		<i>Past due but not individually impaired</i> AED '000	<i>Past due and individually impaired</i> AED '000	<i>Total</i> AED '000
	<i>Normal grade</i> AED '000	<i>Watch list grade</i> AED '000			
Bank balances	482,238	-	-	-	482,238
Advances and other receivables	44,427	14,150	-	11,134	69,711
Other investments	46,927	-	-	920	47,847
Islamic financing and investing assets	7,653,660	764,313	463,903	640,003	9,521,879
Total	8,227,252	778,463	463,903	652,057	10,121,675

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 RISK MANAGEMENT (continued)

Aging analysis of past due but not individually impaired Islamic, financing and investing assets

	31 December 2011			
	Less than 60 days AED '000	60 to 90 days AED '000	91 to 120 days AED '000	Total AED '000
Islamic financing and investing assets	<u>116,425</u>	<u>39,820</u>	<u>-</u>	<u>156,245</u>
	31 December 2010			
	Less than 60 days AED '000	60 to 90 days AED '000	91 to 120 days AED '000	Total AED '000
Islamic financing and investing assets	<u>367,389</u>	<u>23,804</u>	<u>72,710</u>	<u>463,903</u>

Collateral and other credit enhancements

The finance provided by the Group is asset backed in accordance with the principles of Sharia'a. Properties are funded based on "Group's Appraised Value". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Group might have lower rates than the developers based on the Group's view of the property. In case of older properties the appraised value is determined by the Credit Department. These valuations are based on the valuation report from valuers, whenever required, and the property prices witnessed in Tamweel's past funding transactions.

Property insurance is mandatory and the property is insured against all normal risks for the value stated in the sale agreement, or the valuation amount given by the surveyor, as the case maybe. The insured value is maintained at the original property value through the life of the finance.

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. In the Group's financial statements, mainly two line items can lead to such exposure i.e. Islamic financing assets and financing obligations, as shown on the assets and liability sides respectively. The profit rate risk for the Group is minimal in the short term period.

The profit rate for financing assets is a composition of EIBOR and internal spread which cannot be expected to fluctuate frequently based on EIBOR movement. The Group reviews the profit rate on a monthly basis during its ALCO meeting and, if required, recommends rate change based on market conditions and competition.

The profit rate on financing obligations is contractually determined on contract initiation. Refer to Note 21 for further details.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in profit rates on the net profit earned for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2011 and 31 December 2010.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 RISK MANAGEMENT (continued)

Profit rate risk (continued)

		<i>31 December 2011</i>	
		<i>Increase/ (decrease) in basis points</i>	<i>Sensitivity of net returns increase/ (decrease) AED 000's</i>
AED		50bps	26,328
AED		(50bps)	(26,328)
		<i>31 December 2010</i>	
		<i>Increase/ (decrease) in basis points</i>	<i>Sensitivity of net returns increase/ (decrease) AED 000's</i>
AED		50bps	24,924
AED		(50bps)	(24,924)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All assets and liabilities as on 31 December 2011 are denominated in the UAE Dirhams or US Dollars. UAE Dirham is currently pegged to US Dollar and therefore, the Group is not exposed to any significant currency risk except for the balances relating to foreign subsidiaries, which are not significant.

Equity price risk

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

The Group is not subject to any equity price risk as it does not have any investment in equity shares.

Early settlement risk

Early settlement risk is the risk that the Group will incur a financial loss because its counterparties settle earlier or later than expected.

The Group does not have any significant early settlement risk as the amount recovered in case of early settlement is more than the fair value of the asset on settlement date, by adding a margin, and to recover amount on time and to avoid any delays. The collection team, supervised by the Credit committee monitors the customer receivable position on a daily basis.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

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At 31 December 2011

29 RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that the Group may be unable to meet its funding requirements. This can be caused by political uncertainty, market disruptions or deterioration in the Group's credit ratings.

The Group monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis.

The Group reviews the maturity gap analysis in its monthly ALCO meetings to identify potential liquidity risks in advance. The gap measures liquidity in five time buckets for each type of asset and liability for each period, as well as cumulatively.

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and items off the statement of financial position analysed according to when they are expected to be recovered, settled or sold.

The maturity gap at the year end arises due to contractual maturities of assets and liabilities. Tamweel intends to access stable sources of medium to long term financing from Capital markets by issuing Sukuks and other asset backed Sharia compliant structures. Financing obligations are expected to be rolled over on maturity. DIB has reviewed Tamweel's funding requirements for five years and intends to provide full support in relation to its overall business model.

At 31 December 2011

	Within 1 month AED '000	1 to 3 months AED '000	3 to 12 months AED '000	Subtotal less than 12 months AED '000	1-5 years AED '000	Over 5 years AED '000	Total AED '000
ASSETS							
Bank balances and cash	187,519	-	-	187,519	-	-	187,519
Advances, prepayments and other receivables	350	5,307	17,866	23,523	56,004	-	79,527
Properties held for sale	-	-	-	-	387,203	-	387,203
Other investments	-	-	-	-	46,787	-	46,787
Islamic financing and investing assets	77,607	178,738	441,444	697,789	2,624,694	5,977,120	9,299,603
Property and equipment	-	-	-	-	27,373	-	27,373
Total assets	265,476	184,045	459,310	908,831	3,142,061	5,977,120	10,028,012
LIABILITIES							
Zakat payable	-	32,074	34,252	66,326	-	-	66,326
Accounts payable, accruals and other liabilities	37,238	21,699	145,767	204,704	45,534	6,224	256,462
Financing obligations	50,000	-	300,000	350,000	7,062,704	-	7,412,704
Total liabilities	87,238	53,773	480,019	621,030	7,108,238	6,224	7,735,492
Assets less liabilities	178,238	130,272	(20,709)	287,801	(3,966,177)	5,970,896	2,292,520
COMMITMENTS							
Irrevocable commitments to extend credit	-	399,532	442,427	841,959	325,318	-	1,167,277

Tamweel PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

29 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities (continued)

At 31 December 2010

	Within 1 month AED '000	1 to 3 months AED '000	3 to 12 months AED '000	Subtotal less than 12 months AED '000	1-5 years AED '000	Over 5 years AED '000	Total AED '000
ASSETS							
Bank balances and cash	482,263	-	-	482,263	-	-	482,263
Advances, prepayments and other receivables	2,693	3,145	8,679	14,517	49,707	-	64,224
Properties held for sale	-	-	-	-	409,591	-	409,591
Other investments	-	-	-	-	46,927	-	46,927
Islamic financing and investing assets	255,512	159,578	762,729	1,177,819	1,765,980	6,214,007	9,157,806
Property and equipment	-	-	313	313	21,897	10,156	32,366
Total assets	740,468	162,723	771,721	1,674,912	2,294,102	6,224,163	10,193,177
LIABILITIES							
Zakat payable	5,000	10,000	38,729	53,729	32,074	-	85,803
Accounts payable, accruals and other liabilities	65,958	10,370	135,404	211,732	46,770	5,074	263,576
Financing obligations	-	341,128	231,043	572,171	7,046,371	-	7,618,542
Total liabilities	70,958	361,498	405,176	837,632	7,125,215	5,074	7,967,921
Assets less liabilities	669,510	(198,775)	366,545	837,280	(4,831,113)	6,219,089	2,225,256
COMMITMENTS							
Irrevocable commitments to extend credit	202,593	446,449	445,485	1,094,527	682,204	-	1,776,731

The maturity gap as of 31 December 2010 arose as a result of contractual maturities of assets and liabilities. The financing obligations relating to corporate deposits were all rolled forward for five years at a profit rate of 4% p.a.

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29 RISK MANAGEMENT (continued)

Contractual undiscounted repayment obligations

The maturity profile of the Group's financial liabilities based on contractual undiscounted payment obligations is as follows:

	Within 1 month AED'000	1 to 3 months AED'000	3 to 12 months AED'000	Subtotal less than 12 months AED'000	Over 1 year AED'000	Total AED'000
<i>At 31 December 2011</i>						
Zakat payable	-	32,074	34,252	66,326	-	66,326
Accounts payable, accruals and other liabilities	37,238	21,699	145,767	204,704	51,758	256,462
Financing obligations	73,862	2,285	546,646	622,793	7,741,952	8,364,745
	<u>111,100</u>	<u>56,058</u>	<u>726,665</u>	<u>893,823</u>	<u>7,793,710</u>	<u>8,687,533</u>
<i>At 31 December 2010</i>						
Zakat payable	5,000	10,000	38,729	53,729	32,074	85,803
Accounts payable, accruals and other liabilities	65,958	10,370	135,404	211,732	51,844	263,576
Financing obligations	-	348,956	445,852	794,808	7,977,398	8,772,206
	<u>70,958</u>	<u>369,326</u>	<u>619,985</u>	<u>1,060,269</u>	<u>8,061,316</u>	<u>9,121,585</u>

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30 SEGMENTAL INFORMATION

For management purposes the Group is organised into two major business segments:

Islamic financing and investing activities

Principally handling Islamic financing and investing activities.

Real estate and investment activities

Principally involved in the leasing and trading of properties and related activities.

Others

Mainly bank balances, property and equipment, other assets and other liabilities not allocated to any segment.

These segments are the basis on which the Group reports its segments information. Segmental information for the years ended 31 December 2011 and 2010 was as follows:

	31 December 2011			31 December 2010				
	Islamic financing and investing activities AED'000	Real estate and investment activities AED'000	Others AED'000	Total AED'000	Islamic financing and investing activities AED'000	Real estate and investment activities AED'000	Others AED'000	Total AED'000
Gross income	598,755	2,169	-	600,924	616,215	29,902	-	646,117
Allocable expenses	(414,246)	(27,281)	-	(441,527)	(434,226)	(25,981)	-	(460,207)
Segment result	184,509	(25,112)	-	159,397	181,989	3,921	-	185,910
Impairment Provisions, net	(16,000)	(41,530)	-	(57,530)	(113,240)	(46,646)	-	(159,886)
Segment result after provision	168,509	(66,642)	-	101,867	68,749	(42,725)	-	26,024
Profit for the year				101,867				26,024
Segment assets	9,405,814	389,153	233,045	10,028,012	9,260,458	410,635	522,084	10,193,177
Segment liabilities	7,203,941	313,322	218,229	7,735,492	7,183,097	338,454	446,370	7,967,921
Depreciation	-	-	5,362	5,362	-	-	5,869	5,869
Capital expenditure	-	-	369	369	-	-	6,508	6,508

No geographical analysis has been provided as currently the operations of the Group are concentrated primarily in the United Arab Emirates.

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31 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010. Capital comprises share capital, statutory reserve, general reserve, special reserve, convertible sukuk equity component, shares held under employees' benefit plan and retained earnings and is measured at AED 2,292,520 thousands as at 31 December 2011 (31 December 2010: AED 2,225,256 thousands).

32 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

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

	<i>Year ended 31 December 2011</i>		<i>Year ended 31 December 2010</i>	
	<i>Key management personnel AED'000</i>	<i>Major shareholders AED'000</i>	<i>Key management personnel AED'000</i>	<i>Major shareholders AED'000</i>
Income from Islamic financing and investing activities	1,422	-	440	-
Income on mudaraba deposits and wakala investments	-	4,611	-	6,457
Commission and other income	-	10,500	-	-
Depositors'/investors' share of profit	-	55,255	-	50,079
General and administrative expenses	-	1,283	-	100

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

	<i>31 December 2011</i>		<i>31 December 2010</i>	
	<i>Key management personnel AED'000</i>	<i>Major shareholders AED'000</i>	<i>Key Management personnel AED'000</i>	<i>Major shareholders AED'000</i>
Islamic financing and investing assets	27,666	-	9,315	-
Bank balances and cash	-	178,659	-	422,683
Advances, prepayments and other receivables	-	10,732	-	488
Financing obligations	-	1,550,000	-	1,250,000
Depositors'/investors' share of profit payable and related cost	-	2,415	-	139

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2011

32 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel is as follows:

	<i>2011</i> <i>AED'000</i>	<i>2010</i> <i>AED'000</i>
Short term employee benefits	5,573	5,861
Termination and other benefits	344	880
	<u>5,917</u>	<u>6,741</u>

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets include bank balances and cash, receivables, Islamic financing and investing assets and other investments. Financial liabilities include zakat payable, accounts payable, accruals and other liabilities and financing obligations.

The fair values of financial instruments are not materially different from their carrying values.

34 PROPOSED DIVIDEND

The Board of Directors has proposed a dividend of AED 0.05 per share totaling AED 50 million (2010: AED Nil). The amount of proposed dividend is subject to approval at the Annual General Meeting.

35 DATE OF AUTHORISATION

These financial statements were approved for issue by the Board of Directors on 29 January 2012.