

TAMWEEL 

2008 ANNUAL REPORT

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Our Offices

Main Branch: Business Avenue Building, Mezzanine Floor - Deira, Dubai

Sheikh Zayed Rd. Branch: Al Barsha Building (1), Al Barsha area, Sheikh Zayed Road

Abu Dhabi Branch: FD 28, First Floor, Marina Mall

Chairman's Message



In the name of Allah, The Most Gracious,
The Most Merciful.

It gives me great pleasure to present the Annual Report of Tamweel PJSC for the year ended 31 December 2008.

Despite the challenging conditions in the global economy, Tamweel managed to record a net profit of AED 461 Million for 2008, a 2 per cent increase compared to AED 451 Million in 2007, with earnings per share at AED 0.46. Income from Islamic financing and investing assets in 2008 grew to AED 743 Million, an increase of 118 per cent compared to AED 340 Million in 2007.

Islamic financing and investing assets in 2008 grew to AED 10.5 Billion, an increase of 97 per cent compared to AED 5.3 Billion in 2007 (excluding the securitised asset book of AED 398 Million that has been taken off the balance sheet).

During 2008, Tamweel originated business, as expected, and successfully completed three capital market transactions to diversify the funding sources and manage the difference in the maturities of assets and liabilities. However, the last quarter of 2008 was marked by the negative impact of the

global economic situation which affected the real estate and financial services sectors adversely, thereby impacting the Company's operations and liquidity position.

Considering the global economic conditions, the Board of Directors have not recommended any dividend to the shareholders for the year 2008.

To sustain profits, our business requires a fixed demand for housing in addition to availability of reasonable cost of funding. In light of the global crisis and the effect it had on our business, the situation for the home finance industry is expected to remain challenging throughout 2009. Governments around the world have intervened and undertaken various initiatives to stabilise and improve market conditions. The Government of the UAE has taken similar steps.

Recognising the importance and the strategic position of Tamweel as a leading home finance provider in the UAE, the Federal Government has intervened in a timely manner and formed a Steering Committee to review, assess, liaise and make recommendations to the Minister of Economy for appropriate actions. One of the key objectives of this Committee is to look at potential ways of reviving the home finance and real estate market in the UAE and it is working closely with Tamweel's Board of Directors to implement some of those measures.

The Board of Directors, along with the Steering Committee are evaluating various options to secure sustainable funding in order to enable the Company to fund its ongoing operations.

As for Tamweel shareholders, I thank you for your support and patience in these difficult circumstances and assure you that the Board and the Management team are actively working with the relevant Government authorities to address the issues and ensure a viable business model for growth and sustainability.

Sheikh Khaled Bin Zayed Bin Saqr Al Nahayan
Chairman
Tamweel PJSC

CEO's Message



In the name of Allah, The Most Gracious,
The Most Merciful.

The overall performance of Tamweel for 2008 has been robust in a year which has witnessed the global financial crisis affect many industries worldwide. While our foundation remains solid, we are nevertheless, not immune to what is happening in the world. Amid adverse global and local market conditions, Tamweel still managed to record a net profit of AED 461 Million for the year ended 31 December 2008.

2008 witnessed many other achievements. Tamweel continued to lead in product innovation and service differentiation in the UAE by launching the 48-Hour Finance Approval service – a quick home finance facility with finance approvals in 48 hours, and Irad – the buy-to-let programme.

On the Sukuk front, the company successfully issued the US\$ 300 Million exchangeable Sukuk which was oversubscribed within hours of announcing the launch. Issued in early 2008, it achieved an all-in sub-libor funding cost level which makes it the first transaction in the GCC issuance market to achieve such pricing. Another milestone was achieved when the AED 1.1 Billion Sukuk was issued and closed successfully in July 2008 despite difficult market conditions. This Sukuk transaction received high ratings of A3 by Moody's and A by Fitch.

Tamweel's brand equity, product innovation and quick response to market needs were recognised and rewarded by numerous awards in 2008 from prominent publications. The Company won the awards for "Islamic Finance Deal of the Year" by Euromoney, "Best Mortgage/Home Finance House" and "Best Islamic Home Finance Product" by Banker Middle East, "Sukuk Deal of the Year" by Islamic Finance News, "Best Home Finance" by Arabian Property, and many more.

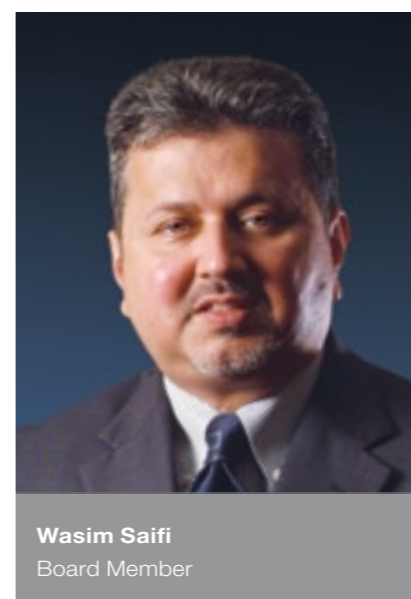
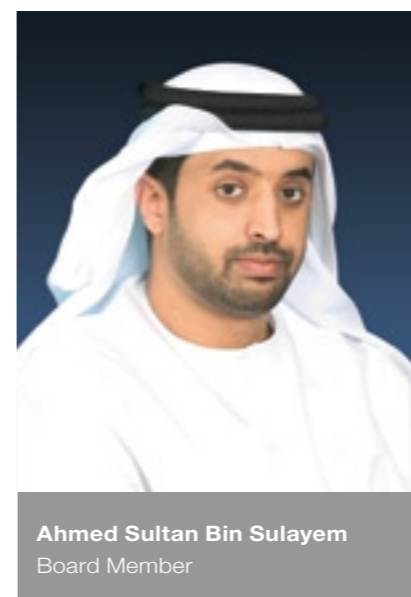
In light of the current economic situation, Tamweel has sought to improve organisational efficiency by restructuring and reorganising its operations and by implementing cost reduction initiatives across all areas. To effectively manage the Company's large portfolio, Tamweel will carefully maintain and manage asset quality. Tamweel remains firmly committed to superlative customer service and has outlined a series of new directives aiming to sustain customer service levels, address the challenges facing customers when possible and maintain continuous dialogue with them.

Home finance is our core business and we are committed to preserving and consolidating on this key focus area, especially in such adverse conditions.

Looking ahead, 2009 is a year of consolidation. Though market conditions for liquidity and for real estate are challenging, we believe the long-term demand for home finance and real estate will be strong and Tamweel will be ready to serve the market again in the future.

Wasim Saifi
Chief Executive Officer
Tamweel PJSC

Board of Directors



Directors' Report

The Board of Directors of Tamweel PJSC (the "Company") and subsidiaries (the "Group") has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2008, and the related consolidated statement of income, cash flows and changes in equity for the year ended 31 December 2008.

Principal Activities

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia 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, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property development and trading.

During the year, the Group obtained a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to start Escrow Management Service operations and consequently, the Group started those operations during the current year.

Financial Results

The Group has recorded a net profit of AED 460,665 thousand in 2008 (2007: AED 451,239 thousand), 2 per cent higher than the previous year. Income from Islamic financing and investing assets in 2008 grew to AED 743,112 thousand, an increase of 118 per cent compared to AED 340,208 thousand in 2007.

Islamic financing and investing assets in 2008 grew to AED 10,486,813 thousand, an increase of 97 per cent compared to AED 5,323,547 thousand in 2007.

In accordance with the Articles of Association of the Company and UAE Commercial Companies Law of 1984, an appropriation of AED 46,067 thousand is made to general reserve and AED 46,067 thousand to statutory reserve.

In accordance with the recommendations of the UAE Central Bank, an appropriation of AED 50,661 thousand is made to special reserve which is not available for distribution.

In view of the current financial and economic uncertainty, the Board of Directors have not recommended any dividend to the shareholders for the year 2008, which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Total equity as at 31 December 2008 amounts to AED 2,317,966 thousand (2007: AED 2,045,968 thousand).

Outlook for 2009

During 2008, the Company originated business as per its budget and successfully completed three capital market transactions to diversify the funding sources and manage the maturity mismatch. However, the last quarter of 2008 was marked by the negative impact of the global economic situation which adversely affected the real estate sector and financial services sector in general, thereby impacting on the Company's operations and liquidity.

Sustaining a profitable mortgage finance business requires a steady demand for housing as well as availability of funding at a reasonable cost. Economic conditions around the world have negatively impacted on this business and environment for mortgages is expected to remain challenging through 2009. Governments around the world have undertaken numerous initiatives/intervention to stabilise and improve market conditions and similar actions have been taken by the Government in UAE.

Recognising the strategic nature of Tamweel as a leading mortgage provider in the UAE, the Federal Government has intervened in a timely manner and formed a Steering Committee to review, assess, liaise and make recommendations to the Minister of Economy for appropriate actions. One of the key objectives of this Committee is to look at the potential ways of reviving the mortgage and real estate market in UAE and the Committee is closely working with Tamweel's Board of Directors to implement some of those measures. The Board of Directors, along with the Steering Committee are evaluating various options to secure sustainable funding in order to enable the company fund its ongoing operations.

To conclude, the year 2009 is likely to be the year of consolidation. Though market conditions for liquidity and for real estate are extremely challenging, the Board and the management team are actively working with the relevant Government authorities to jointly address such issues and to ensure a viable business model for growth.

Directors

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

Auditors

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2008. Ernst & Young are eligible for reappointment for 2009.



On behalf of the Board
Sheikh Khaled Bin Zayed Bin Saqr Al Nehayan
Chairman
Tamweel PJSC

22 February 2009

Fatwa & Sharia'a Supervisory Board Report of Tamweel PJSC Submitted to the General Assembly for the Year 2008

First:

1. The Board supervised the activities and transactions of the Company during the year, and directed various departments of the Company to adhere to the principles of Islamic Sharia and pronouncements of the Board concerning such activities and transactions. Several meetings were held with the Company officials in this regard.
2. The Board has reviewed the books, records and documents of the Company and received the data and information that it considered necessary for completing the task of Sharia'a supervision and audit.
3. The Board studied the transactions submitted to it during the year and approved its contracts and documents. In addition, the Board replied to the queries raised by the Company officials concerning the Board's pronouncements and decisions.

Second:

The Board decided that various departments of the Company have complied with the forms of the contracts and agreements approved by the Board.

Third:

The Board reviewed the contracts and power of attorneys executed by the Company during 2008 and advised the management of the necessity of complying with the pronouncements of the Board regarding the transactions.

Fourth:

The Board, with the cooperation of the Sharia'a Coordination Department in Dubai Islamic Bank, has developed various Sharia'a compliant investment structures and financing contracts which are currently being used by the Company.

Fifth:

The Board recommends executing a training plan to train the employees of the Company on the new Sharia'a structures and contracts, starting from the current year, since training plays great role in improving employees' performance and their compliance with the provisions of the Sharia'a pronouncements of the Board.

Sixth:

Balance Sheet

The Board reviewed the balance sheet of the Company and the details attached therewith and the supplementary clarifications thereto. The Board concluded as follows:

1. The Company received financing in the form of Mudaraba and investment Wakala in accordance with the provisions of the Islamic Sharia. The Board recommends preparation of a complete system to receive the deposits and distribute the profits among the depositors and shareholders of the Company.
2. The Board reviewed the Zakat account that should be paid by the Company for and on behalf of the shareholders in accordance with the provisions of the Islamic Sharia and the decision of the Board.

The Zakat of the Company's capital is accrued by the shareholders, and the Board calculated the value of the Zakat due per share in order to inform the shareholders therewith.

The Board assures that the Company's management is responsible to apply the provisions of the Islamic Sharia concerning all the activities and transactions of the Company. It is therefore resolved by the Board that the transactions of the Company, on the whole, have been executed during the year conforming with the provisions of Islamic Sharia'a based on the cases submitted to it, the transactions reviewed by it, its comments and the response of the management of the Company to implement the same.

Members of the Fatwa & Sharia'a Supervisory Board

Dr. Hussain Hamed Hassan
Head of the Board

Sheikh Mohammad Abdulrazzak Alsiddik
Board Member

Dr. Mohammad Abdulhakim Zuair
Board Member and Secretary

Financial Statements

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 balance sheet as at 31 December 2008, and the consolidated income statement, cash flow statement and statement of changes in equity for the year ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Tamweel PJSC and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

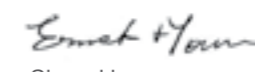
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to notes 1 and 29 to the financial statements. Trading in the Company's shares on the Dubai Financial Market has been suspended following the announcement that the Company is in discussion with Amlak Finance PJSC and other entities that may lead to the establishment of a merged entity. The Board of Directors, along with the Steering Committee set up by the Ministry of Finance in connection with the proposed merger are evaluating various options to secure sustainable funding for the Group in order to enable it to continue to meet its commitments.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Group; proper books of account have been kept by the Group 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 Group have occurred during the year which would have had a material effect on the business of the Group or on its financial position.



Signed by
Naushad Anwar
Partner
Registration No. 489

22 February 2009

Dubai, United Arab Emirates

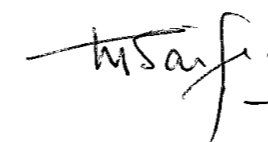
TAMWEEL PJSC and its Subsidiaries
CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	2008 AED'000	2007 AED'000
Income from Islamic financing and investing assets	6	743,112	340,208
Fees, commission and other income	7	67,132	303,731
Income from sale of properties held for sale	14	428,968	122,991
Income from sale of development property	8	1,687	8,479
OPERATING INCOME		1,240,899	775,409
General and administrative expenses	9	(365,211)	(131,840)
PROFIT BEFORE DEPOSITORS' SHARE OF PROFIT		875,688	643,569
Depositors' share of profit	10	(415,023)	(192,330)
PROFIT FOR THE YEAR		460,665	451,239
Earnings per share:			
Basic earnings per share (AED)	11	0.46	0.45
Diluted earnings per share (AED)	11	0.46	0.45

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

TAMWEEL PJSC and its Subsidiaries
CONSOLIDATED BALANCE SHEET
At 31 December 2008

	Notes	2008 AED'000	2007 AED'000
ASSETS			
Bank balances and cash	12	352,304	189,761
Advances, prepayments and other receivables	13	202,908	540,047
Properties held for sale	14	672,702	2,308,694
Investment properties	15	39,610	45,301
Other investments	16	53,976	70,338
Islamic financing and investing assets	17	10,486,813	5,323,547
Property and equipment	18	65,068	36,040
TOTAL ASSETS		11,873,381	8,513,728
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		60,599	27,682
Accounts payable, accruals and other liabilities	19	922,452	808,749
Financing obligations	20	8,572,364	5,631,329
Total liabilities		9,555,415	6,467,760
Equity			
Share capital	21	1,000,000	1,000,000
Employees' benefit plan	22	(7,680)	(9,577)
Statutory reserve	23	182,547	136,452
General reserve	24	526,191	480,124
Special reserve	25	102,951	52,290
Cumulative changes in fair value		627	365
Retained earnings		444,488	168,314
Convertible sukuk equity component	20	69,534	-
Translation reserve		(692)	-
Proposed dividend	26	-	218,000
Total equity		2,317,966	2,045,968
TOTAL LIABILITIES AND EQUITY		11,873,381	8,513,728



Chief Executive Officer



Chairman

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 AED'000	2007 AED'000
OPERATING ACTIVITIES			
Profit for the year		460,665	451,239
Adjustments for:			
Depreciation	18	3,611	3,118
Loss on sale of property and equipment		27	-
Amortisation of deferred cost	9	8,211	3,529
Provision for employees' end of service benefits		2,728	3,625
Provision for impairment on Islamic financing and investing assets		72,935	12,500
Change in fair value of investment properties	15	5,691	(2,239)
Provision for impairment on advances and receivables		50,247	-
Provision for impairment on available-for-sale investments		920	-
Depositors' share of profit	10	415,023	192,330
		1,020,058	664,102
Working capital changes:			
Islamic financing and investing assets		(5,236,201)	(2,752,302)
Financing obligations		820,255	4,400,569
Properties held for sale		1,635,992	(2,290,988)
Trading investments		18,870	(14,427)
Advances, prepayments and other receivables		282,034	(347,380)
Accounts payable, accruals and other liabilities		77,363	523,137
		(1,381,629)	182,711
Cash (used in) from operations		(1,381,629)	182,711
Depositors' share of profit paid		(380,781)	(128,894)
Employees' end of service benefits paid		(830)	(1,884)
Dividend settled		(218,000)	(186,079)
Zakat paid		(7,757)	(3,090)
		(1,988,997)	(137,236)
Net cash used in operating activities		(1,988,997)	(137,236)
INVESTING ACTIVITIES			
Additions to property and equipment	18	(32,809)	(7,678)
Held to maturity investments		(3,166)	(44,920)
Proceeds from sale of property and equipment		143	-
		(35,832)	(52,598)
Net cash used in investing activities		(35,832)	(52,598)
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuks		2,190,314	-
Directors' fees		(2,250)	(1,277)
Money received under the Employees' benefit plan		-	691
		2,188,064	(586)
Net cash from (used in) financing activities		2,188,064	(586)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Translation reserve		(692)	-
Cash and cash equivalents at 1 January		189,761	380,181
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	352,304	189,761

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 2008

	Share capital AED'000	Employees' benefit plan AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Convertible sukuk equity component AED'000	Translation reserve AED'000	Proposed dividends AED'000	Total AED'000
Balance at 1 January 2007	1,000,000	(11,100)	91,305	435,000	25,837	208	78,329	-	-	200,000	1,819,579
Gain on available-for-sale investments recognised directly in equity	-	-	-	-	-	157	-	-	-	-	157
Total income for the year recognised directly in equity	-	-	-	-	-	157	-	-	-	-	157
Profit for the year	-	-	-	-	-	-	451,239	-	-	-	451,239
Total income for the year	-	-	-	-	-	157	451,239	-	-	-	451,396
Dividend settlement for 2006	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)
Zakat, net of reversals	-	-	-	-	-	-	(25,927)	-	-	-	(25,927)
Shares granted under employees' benefit plan, net (Note 22)	-	1,523	23	-	-	-	-	-	-	-	1,546
Cost of vested shares under employees' benefit plan	-	-	-	-	-	-	1,426	-	-	-	1,426
Directors' fees	-	-	-	-	-	-	(2,052)	-	-	-	(2,052)
Proposed dividend	-	-	-	-	-	-	(218,000)	-	-	218,000	-
Transfer to statutory reserve (Note 23)	-	-	45,124	-	-	-	(45,124)	-	-	-	-
Transfer to general reserve (Note 24)	-	-	-	45,124	-	-	(45,124)	-	-	-	-
Transfer to special reserve (Note 25)	-	-	-	-	26,453	-	(26,453)	-	-	-	-
Balance at 31 December 2007	1,000,000	(9,577)	136,452	480,124	52,290	365	168,314	-	-	218,000	2,045,968

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 2008

	Share capital AED'000	Employees' benefit plan AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Cumulative changes in fair value AED'000	Retained earnings AED'000	Convertible sukuk equity component AED'000	Translation reserve AED'000	Proposed dividends AED'000	Total AED'000
Balance at 1 January 2008	1,000,000	(9,577)	136,452	480,124	52,290	365	168,314	-	-	218,000	2,045,968
Gain on available-for-sale investments recognised directly in equity	-	-	-	-	-	262	-	-	-	-	262
Foreign exchange translation differences	-	-	-	-	-	-	-	-	(692)	-	(692)
Total income and expense for the year recognised directly in equity	-	-	-	-	-	262	-	-	(692)	-	(430)
Profit for the year	-	-	-	-	-	-	460,665	-	-	-	460,665
Total income and expense for the year	-	-	-	-	-	262	460,665	-	(692)	-	460,235
Dividend settlement for 2007	-	-	-	-	-	-	-	-	-	(218,000)	(218,000)
Zakat, net of reversals	-	-	-	-	-	-	(40,674)	-	-	-	(40,674)
Shares granted under employees' benefit plan (Note 22)	-	1,897	28	-	-	-	-	-	-	-	1,925
Cost of vested shares under employees' benefit plan	-	-	-	-	-	-	1,428	-	-	-	1,428
Directors' fees	-	-	-	-	-	-	(2,450)	-	-	-	(2,450)
Equity component of convertible sukuk	-	-	-	-	-	-	-	69,534	-	-	69,534
Transfer to statutory reserve (Note 23)	-	-	46,067	-	-	-	(46,067)	-	-	-	-
Transfer to general reserve (Note 24)	-	-	-	46,067	-	-	(46,067)	-	-	-	-
Transfer to special reserve (Note 25)	-	-	-	-	50,661	-	(50,661)	-	-	-	-
Balance at 31 December 2008	1,000,000	(7,680)	182,547	526,191	102,951	627	444,488	69,534	(692)	-	2,317,966

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

TAMWEEL PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

1 THE COMPANY AND ITS OPERATIONS

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

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

During the year, the Group obtained a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to start Escrow Management Service operations and consequently, the Group started those operations during the current year.

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, Abu Dhabi and Sharjah.

The Group consists of Tamweel PJSC (the Parent Company) and its subsidiaries registered up to 31 December 2008.

Subsidiaries	Beneficial ownership		Principal activity	Country of incorporation
	31 December 2008	31 December 2007		
Tamweel Properties & Investments LLC	100%	-	Real estate development including construction, purchase, sale, rent, brokerage, agency and management services	UAE
Tamweel Egypt for Real Estate Finance S.A.E.	100%	-	Sharia compliant financing and investing activities	Egypt
Tamleek Egypt Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tahfeez Egypt Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tahfeez Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tahfeez Middle East Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tamleek Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
Esham Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
Enjaz Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
PF Holding Limited	100%	-	Sale and purchase of properties	JAFZA, Dubai, UAE
Tamweel Funding Limited	100%	-	SPE for issuance of convertible sukuk	Jersey
Tamweel Sukuk Limited	100%	-	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	100%	SPE for employees' benefit plan	British Virgin Islands

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

1 THE COMPANY AND ITS OPERATIONS (continued)

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

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

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

2 BASIS OF PREPARATION**Statement of compliance**

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

Basis of consolidation

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

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

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

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

New accounting Standards and Interpretations

The Group has adopted the following new and amended IFRIC Interpretations during the year. Adoption of these revised Standards and Interpretations did not have any significant effect on the financial performance or position of the Group for the current year.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

IFRIC 12 Service Concession Arrangements

IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of these new Standards are as follows.

IFRIC 11 IFRS 2 - Company and Treasury Share Transactions

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

IFRIC 12 Service Concession Arrangements

This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements.

IFRIC 14 IAS19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*.

2 BASIS OF PREPARATION (continued)**IASB Standards and Interpretations issued but not adopted**

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group.

Amendments to IFRS 2 Share-based Payment

The IASB issued an amendment to IFRS 2 in January 2008 which becomes effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment is not expected to have any impact on the financial position or performance of the Group as it does not have transactions that this interpretation relates to.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised Standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*.

IFRS 8 Operating Segments

IFRS 8 *Operating Segments* was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new Standard may require changes in the way the Group discloses information about its operating segments.

IAS 1 Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The application of this standard will result in amendments to the presentation of the financial statements. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 23 Borrowing Costs

A revised IAS 23 *Borrowing Costs* was issued in March 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or portion in particular situations. It clarified that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group has concluded that the amendment will not have a significant impact on the financial position or performance of the Group as it has not entered into any such hedges.

2 BASIS OF PREPARATION (continued)**IASB Standards and Interpretations issued but not adopted (continued)***IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2009. The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instrument can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group management has concluded that the interpretation is not expected to have any impact on the Group's financial position or performance as it has got no such instruments.

*Improvements to IFRSs'**IFRS 7 Financial Instruments: Disclosures:*

Removal of the reference to 'total interest income' as a component of finance costs.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:

Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10 Events after the Reporting Period:

Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 16 Property, Plant and Equipment:

Replace the term "net selling price" with "fair value less costs to sell".

IAS 18 Revenue:

Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 36 Impairment of Assets:

When discounted cash flows are used to estimate 'fair value less cost' to sell additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate value in use.

The application of the above standards and improvements to IFRSs' will result in amendments to the presentation of the financial statements including, in some cases, revisions to the accounting policies.

On 3 July 2008, International Accounting Standards Board issued IFRIC Interpretation 15 "Agreement for the Construction of Real Estate" (IFRIC 15) which will be effective for the year ending 31 December 2009. IFRIC 15 classifies when and how revenue and related costs from the sale of real estate should be recognised in the case of pre-completion sales. The interpretation will be applied retrospectively. The management is assessing the applicability of IFRIC 15 on the financial statements of the Group in the light of current and forthcoming legal pronouncements for transfer of risks and rewards of the ownership of real estate properties in the UAE.

Basis of measurement

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

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

3 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.

3 SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES (continued)**Judgements (continued)***Transfer of equitable interest in properties*

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

Classification of investments

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

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

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

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

Use of estimates

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

Impairment losses on Islamic financing and investing assets

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

Collective impairment provisions on Islamic financing and investing assets

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

Cost to complete properties under development

The Group estimates the cost to complete properties under development in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure activities, potential claims by sub contractors and all cost of meeting other contractual obligations to the customers.

Valuation of investment properties

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

4 DEFINITIONS OF SIGNIFICANT TERMS

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

Sharia'a

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

Ijara

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

4 DEFINITIONS OF SIGNIFICANT TERMS (continued)*Istisna'a*

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

Murabaha

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

Forward Ijara

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

Mudaraba

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

Wakala

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

Sukuk

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

5 SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

Ijara income

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

Murabaha income

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

Istisna'a income

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

Forward Ijara income

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue recognition (continued)***Sale of properties held for sale*

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

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

Sale of development property

Revenue on sale of development property is recognised on the basis of percentage of completion method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction work has commenced, with engineering, design work and site clearance being completed;
- The buyer is committed. The buyer is not eligible for a refund except for non-delivery of the unit. Management believes that the likelihood of the Group being unable to fulfil its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

Processing fees

Processing fees are recognised when applications for facilities are processed.

Other income

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

Cost of sale of development property

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

Cash and cash equivalents

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

Islamic financing and investing assets

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

Investment properties

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)**Investment properties (continued)**

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Properties held for sale

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

Investments*Trading investments*

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

Held to maturity

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

Available-for-sale

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

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

Property and equipment

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

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

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

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

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

Financial instruments

The Group recognises financial assets or financial liabilities only when the Group becomes a party to the contractual provisions of a financial instrument. On initial recognition, the financial assets and financial liabilities are measured at fair value plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**

Subsequent to initial measurement, the financial assets are measured at fair value except for finances and receivables and held to maturity investments which are measured at amortised cost. Financial liabilities, after initial recognition, are measured at amortised cost.

Derecognition of financial assets and financial liabilities*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- (a) the right to receive cash flows from the asset have expired; or
- (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- (c) either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Securitisation

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

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

Accounts payable and accruals

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

5 SIGNIFICANT ACCOUNTING POLICIES (continued)**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 income statement when due.

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

Employees' benefit plan shares

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

Convertible Sukuk

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

Share-based payments

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

Foreign currencies

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

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

Trade and settlement date accounting

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

Fair values

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet 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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)**Offsetting**

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

6 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Ijara	302,205	143,053
Murabaha	35,661	1,116
Istisna'a	32,222	37,118
Forward Ijara	209,449	66,822
Processing fees, other fees and commission income	163,575	92,099
	743,112	340,208

7 FEES, COMMISSION & OTHER INCOME

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Commission income on sale of properties	15,435	54,398
Agency fee (7.1)	-	193,016
Changes in fair value of investment properties (Note 15)	(5,691)	2,239
Changes in fair value of investments held for trading	(18,870)	18,339
Income on deposits and wakala placements	49,116	20,574
Others	27,142	15,165
	67,132	303,731

7.1 Agency fee represented a non-refundable fee received from a third party in respect of grant of exclusive rights to sell certain properties.

8 INCOME FROM SALE OF DEVELOPMENT PROPERTY

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Revenue from sale of development property	21,708	23,665
Cost of sale of development property	(20,021)	(15,186)
	1,687	8,479

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Staff costs	115,918	68,711
Advertisement and sales promotion	25,859	14,304
Provision against Islamic financing and investing assets	72,935	12,500
Rent	19,129	5,585
Legal and professional charges	8,068	4,010
Amortisation of deferred cost	8,211	3,529
Depreciation (Note 18)	3,611	3,118
Cost of vested shares under employees' benefit plan (Note 22)	1,428	1,426
Provision for impairment on advances and receivables	50,247	-
Costs for closure of international operations and other non-recurring costs	41,994	-
Other expenses	17,811	18,657
	365,211	131,840

10 DEPOSITORS' SHARE OF PROFIT

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Financing obligations	408,094	189,705
Others	6,929	2,625
	415,023	192,330

11 EARNINGS PER SHARE – BASIC AND DILUTED

Earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

Basic earnings per share

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Profit for the year	460,665	451,239
Less: Directors remuneration	(2,450)	(2,052)
Profit for the year net of directors remuneration	458,215	449,187

Number of shares'000

Weighted average number of shares outstanding during the year	1,000,000	1,000,000
Basic earnings per share (AED)	0.46	0.45

Diluted earnings per share

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Profit for the year net of directors remuneration	458,215	449,187
Add: Profit on convertible Sukuk (Note 20)	58,931	-
	517,146	449,187

Number of shares'000

Weighted average number of shares outstanding during the year	1,128,142	1,000,000
Diluted earnings per share (AED)	0.46	0.45

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements for issuance.

12 BANK BALANCES AND CASH

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Bank balances	352,246	189,718
Cash in hand	58	43
	352,304	189,761

Almost all the bank balances are held with banks within the UAE, are profit generating and earn an average profit rate of 5% (2007: 5%).

13 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Receivables on sale of properties	37,670	132,346
Receivable on sale of development property	69,513	77,409
Advance for purchase of properties	56,518	9,099
Advance paid against properties financed	11,559	38,312
Commission receivable	14,173	17,606
Deferred cost	22,349	22,099
Prepaid expenses	15,873	9,635
Receivable under employees' benefit plan	5,573	5,505
Advance commission paid	-	27,352
Receivable against securitised assets	-	171,294
Others	19,927	29,390
	253,155	540,047
Less: Provision for impairment on advances and receivables	(50,247)	-
	202,908	540,047

14 PROPERTIES HELD FOR SALE

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Balance as at 1 January	2,308,694	17,706
Properties acquired	518,782	2,813,729
Cost of properties sold	(2,154,774)	(522,741)
	672,702	2,308,694

Properties held for sale are located within the UAE.

The income from sale of properties held for sale was as follows:

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Revenue on properties sold	2,583,742	645,732
Cost of properties sold	(2,154,774)	(522,741)
	428,968	122,991

15 INVESTMENT PROPERTIES

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Balance as at 1 January	45,301	43,062
Changes in fair value	(5,691)	2,239
Balance at 31 December	39,610	45,301

Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent valuers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards.

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16 OTHER INVESTMENTS

	2008 AED'000	2007 AED'000
<i>Trading: (within the UAE)</i>		
Quoted - equity	4,233	23,103
<i>Available-for-sale: (within the UAE)</i>		
Quoted - mutual fund units (a)	1,657	1,395
Others (b)	920	920
	2,577	2,315
<i>Held to maturity: (outside the UAE)</i>		
Investments in Notes (c)	38,846	38,846
Profit accrued on Notes	9,240	6,074
	48,086	44,920
	54,896	70,338
Less: Provision for impairment	(920)	-
	53,976	70,338

(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.

(c) This represents the investment made in the notes issued by Tamweel Residential ABS CI (1) Ltd in Cayman Islands. The applicable 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.

17 ISLAMIC FINANCING AND INVESTING ASSETS

	2008 AED'000	2007 AED'000
Ijara	4,368,352	2,407,417
Gross Murabaha receivable	614,165	221,438
Less: Deferred profit	(31,407)	(15,378)
Net Murabaha receivable	582,758	206,060
Istisna'a	657,057	842,786
Forward Ijara	4,964,081	1,879,784
	10,572,248	5,336,047
Less: Allowance for impairment	(85,435)	(12,500)
	10,486,813	5,323,547

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 277,169 thousand (2007: 107,008 thousand).

Provisions for impairment

Movements in the provision for impairment were as follows:

	2008 AED'000	2007 AED'000
At 1 January	12,500	-
Provision made during the year	72,935	12,500
At 31 December	85,435	12,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

17 ISLAMIC FINANCING AND INVESTING ASSETS (continued)

Collateral

The Group enters in 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 as collateralisation of the amount financed.

18 PROPERTY AND EQUIPMENT

	Leasehold improvements AED'000	Office equipment AED'000	Furniture and fixtures AED'000	Software licenses & computer equipment AED'000	Network and server AED'000	Motor vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
Cost:								
At 1 January 2008	2,635	1,077	3,090	7,409	1,551	-	28,230	43,992
Additions	4,513	425	182	2,848	2,097	189	22,555	32,809
Disposals	-	-	-	-	-	(189)	-	(189)
At 31 December 2008	7,148	1,502	3,272	10,257	3,648	-	50,785	76,612
Depreciation:								
At 1 January 2008	808	522	1,714	4,138	770	-	-	7,952
Charge for the year	559	243	577	1,631	582	19	-	3,611
Relating to disposals	-	-	-	-	-	(19)	-	(19)
At 31 December 2008	1,367	765	2,291	5,769	1,352	-	-	11,544
Net book value:								
At 31 December 2008	5,781	737	981	4,488	2,296	-	50,785	65,068
Cost:								
At 1 January 2007	1,994	891	2,288	5,791	1,262	24,088	-	36,314
Additions	641	186	802	1,618	289	4,142	-	7,678
At 31 December 2007	2,635	1,077	3,090	7,409	1,551	28,230	-	43,992
Depreciation:								
At 1 January 2007	364	329	1,192	2,541	408	-	-	4,834
Charge for the year	444	193	522	1,597	362	-	-	3,118
At 31 December 2007	808	522	1,714	4,138	770	-	-	7,952
Net book value:								
At 31 December 2007	1,827	555	1,376	3,271	781	28,230	-	36,040

19 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Property purchase payables	274,913	340,871
Payable under Escrow accounts	188,380	-
Profit payable on financing obligations	124,914	90,672
Accrued expenditure	70,198	22,050
Developers' payables	107,201	141,515
Commission payable on sale of properties	38,246	-
Advance receipts against sale of properties	1,982	126,094
Accounts payable	37,108	13,253
Payable against property development	16,109	23,969
Dividend payable	19,756	13,921
Advisory and management fee payable	11,000	11,000
Employees' end of service benefits	4,965	3,067
Other liabilities	27,680	22,337
	922,452	808,749

20 FINANCING OBLIGATIONS

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Wakala	4,518,143	3,765,649
Mudaraba	1,910,289	1,856,680
Sukuk	1,100,000	-
Convertible Sukuk	1,034,932	-
Others	9,000	9,000
	8,572,364	5,631,329

Wakalas

Wakalas represent investment amounts received by the Group (Wakeel) from customers (Muwakkils) for investment purposes to generate profits for the Muwakkils based on EIBOR. Any profit exceeding the expected profit after deduction of wakala fee is allowed to be kept by the Group as a performance incentive. These carry an effective average profit rate of 4.9% (2007: 6.2%)

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. These carry an effective average profit rate of 4.9% (2007: 7.0%). 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 carries an expected profit rate of 3M EIBOR + 225 basis points per annum, to be paid quarterly in arrears.

20 FINANCING OBLIGATIONS (continued)**Convertible Sukuk**

In January 2008, the Group issued 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 carries 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 2007. This exchange premium was subsequently reduced to 16.8% due to the payment of dividend for the financial year 2007. 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:

- 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.
- 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 Certificate 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 balance sheet as follows:

	31 December	<i>31 December</i>
	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Proceeds from issue of convertible sukuk	1,101,840	-
Less: Issuance costs	(11,526)	-
Net proceeds from issuance of convertible sukuk	1,090,314	-
Less: Equity component on initial recognition	(69,534)	-
Liability component on initial recognition	1,020,780	-
Add: Profit accrued up to year end	58,931	-
	1,079,711	-
Less: Profit paid or transferred to profit payable	(44,779)	-
	1,034,932	-

21 SHARE CAPITAL

	2008	<i>2007</i>
	AED'000	<i>AED'000</i>
Authorised, issued and paid up 1,000,000,000 ordinary shares of AED 1 each (31 December 2007: 1,000,000,000 ordinary shares of AED 1 each)	1,000,000	1,000,000

22 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 2008, the Group granted 1,896,650 shares (2007: 1,522,923 shares) at AED 1.015 per share which vest over a period of 3 years. The fair value of these shares at the grant date was estimated at AED 1,896,650 (2007: AED 6,285,500). The remaining 7,680,427 shares (2007: 9,577,077 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 income statement. The fair value of these shares at 31 December 2008 is estimated at AED 7.6 million at the rate of AED 1 per share.

23 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.

24 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.

25 SPECIAL RESERVE

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

26 DIVIDEND PAID

A cash dividend of AED 0.218 per share totalling AED 218 million relating to the year 2007 was declared and paid during the year (2007: AED 200 million relating to the year 2006).

27 COMMITMENTS

		2008	2007
		AED'000	AED'000
Irrevocable commitments to extend credit	27.1	3,034,117	3,423,021
Purchase of properties	27.2	-	81,888
Contribution to share capital	27.3	-	429,769
Property development	27.4	-	10,581
		3,034,117	3,945,259

27.1 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.

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

27.3 This mainly represented commitment to subscribe to the share capital of its subsidiaries.

27.4 This represented contracts for capital expenditure outstanding at the balance sheet date.

28 CONTINGENCIES

- a) The Group's bankers have provided a guarantee of AED 50 million (31 December 2007: 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 (31 December 2007: AED 5 million) to Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.

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 subject to risk limits and other controls. This process of risk management is critical to the 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. They are monitored through the Group's strategic planning process.

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

Risk Management Structure

Ultimate responsibility and accountability for the Group's risk management rests with the Board of Directors. The level of risk that the Group accepts, together with the basis for managing those risks, is driven from the top down by those charged with overall responsibility for running the business. However, separate independent bodies are entrusted with delegated risk management responsibilities.

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

The Audit and Risk Management (ARM) Committee is responsible to the full Board for ensuring that the Group establishes and maintains an effective internal control system, reviewing the effectiveness of the internal audit function, and ensuring that appropriate controls are in place for monitoring compliance with laws, regulations, and supervisory requirements. ARM Committee supports the monitoring of the overall risk situation and the management's approaches to comprehensive risk identification and control. The Committee reviews the Group's risk profile to ensure that it is within the Board established risk policies and appetite parameters.

The Audit and Risk Management function, reporting to the Board, independently ensures that appropriate processes are in place for the identification, assessment, monitoring and mitigation of risks. Within the guidelines of the Board of Directors, it coordinates the development and implementation of the risk management framework and the execution of risk policies.

Management is responsible for executing the risk management strategy including the identification and evaluation on a continuous basis of all risks to the business and the implementation of appropriate mitigation strategies to contain them.

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 Quran and The Sunna'h, the principles of Sharia'a. 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.

The Credit Committee is entrusted with evaluating the Group's credit portfolio, approving financial commitments exceeding a defined limit on behalf of the Group, reviewing the delinquency provision policy in light of the credit risk embedded in the overall portfolio, assessing the Group's significant credit-based exposures and the steps management has taken to mitigate them, handling impaired assets, formulating credit policies and procedures, reporting exposures, and analysing country and counterparty risks.

The Group has introduced a Risk Adjusted Pricing Model for financing following accredited Credit and Risk evaluation standards. The Credit Committee actively pursues the quality of the portfolio on a monthly basis using internationally acknowledged credit scoring system.

The Asset and Liability Committee (ALCO) is chiefly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocations prudently for the achievement of the Group's strategic goals. ALCO monitors the Group's liquidity and market risks and the Group's risk profile in the context of economic developments and market fluctuations.

The Investment Committee oversees market risk embedded in all investment-related deals through its responsibility in setting an overall investment strategy and policy, reviewing and approving the investment proposals raised by the Investment Department, monitoring defined limits, and reviewing the performance of the Group's investments within the risk-return guidelines set by the Board.

29 RISK MANAGEMENT (continued)**Risk Management Structure (continued)**

The Product Committee is responsible to ensure compliance with directives issued by the Sharia Board including changes in financing contracts, product parameters, etc.

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.

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, limiting transactions with specific counterparties and continually assessing the creditworthiness of 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 units, 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; thus, resulting in collateralisation of amounts financed.

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 balance sheet. The maximum exposure is shown gross.

	Gross maximum exposure 2008 AED'000	<i>Gross maximum exposure 2007 AED'000</i>
Bank balances (Note 12)	352,246	189,718
Advances, deposit and other receivables (Note 13)	214,933	508,313
Other investments (Note 16)	54,896	70,338
Islamic financing and investing assets (Note 17)	10,572,248	5,336,047
Total	11,194,323	6,104,416
Irrevocable commitments to extend credit (Note 27)	3,034,117	3,423,021

29 RISK MANAGEMENT (continued)

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.

At 31 December 2008

	<i>Neither past due nor impaired</i>			<i>Past due but not individually impaired</i>	<i>Total</i>
	<i>High grade AED '000</i>	<i>Standard grade AED '000</i>	<i>Sub- standard grade AED '000</i>		
Bank balances	352,246	-	-	-	352,246
Advances, deposits and other receivables	94,060	70,626	50,247	-	214,933
Other investments	53,976	-	920	-	54,896
Islamic financing and investing assets	1,581,157	8,912,665	-	78,426	10,572,248
Total	2,081,439	8,983,291	51,167	78,426	11,194,323

At 31 December 2007

	<i>Neither past due nor impaired</i>			<i>Past due but not individually impaired</i>	<i>Total</i>
	<i>High grade AED '000</i>	<i>Standard grade AED '000</i>	<i>Sub- standard grade AED '000</i>		
Bank balances	189,718	-	-	-	189,718
Advances, deposits and other receivables	308,862	199,451	-	-	508,313
Other investments	70,338	-	-	-	70,338
Islamic financing and investing assets	1,723,263	3,567,751	-	45,033	5,336,047
Total	2,292,181	3,767,202	-	45,033	6,104,416

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.

Aging analysis of past due but not impaired financial assets

	31 December 2008				
	<i>Less than 30 days AED '000</i>	<i>31 to 60 days AED '000</i>	<i>60 to 90 days AED '000</i>	<i>More than 91 Days AED '000</i>	<i>Total AED '000</i>
Islamic financing and investing assets	57,487	14,222	4,872	1,845	78,426

29 RISK MANAGEMENT (continued)**Credit Risk (continued)****QUANTITATIVE INFORMATION (continued)****Aging analysis of past due but not impaired financial assets (continued)**

	31 December 2007				
	Less than 30 days AED '000	31 to 60 days AED '000	60 to 90 days AED '000	More than 91 days AED '000	Total AED '000
Islamic financing and investing assets	31,066	6,133	4,180	3,654	45,033

Collateral and other credit enhancements

The finance provided by the Group is asset backed in accordance with the principles of Shariah. Properties are funded based on "Group's Appraised Value". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Group might have lower rates than the developers based on the Group's view of the property. In case of older properties the appraised value is released by the Credit Department. These valuations are based on the valuation report from valuers, whenever required, and the property prices witnessed in 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 financing obligations, being short term, are contractually variable rate contracts as determined on contract initiation.

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

The sensitivity of the income statement 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 2008 and 31 December 2007.

	31 December 2008	
	Increase/ (decrease) in basis points 50bps (50bps)	Sensitivity of net returns Increase/ (decrease) AED 000's (9,211) 9,211
AED		
AED		
	31 December 2007	
	Increase/ (decrease) in basis points 50bps (50bps)	Sensitivity of net returns Increase/ (decrease) AED 000's (14,849) 14,949
AED		
AED		

29 RISK MANAGEMENT (continued)**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 2008 are denominated in the UAE Dirham 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 effect (as a result of a change in the fair value of equity instruments held at 31 December 2008 and 31 December 2007) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices

	31 December 2008		31 December 2007	
	Change in equity price	Effect on income statement AED'000	Change in equity price	Effect on income statement AED'000
DFM	+20%	847	+20%	4,620
DFM	-20%	(847)	-20%	(4,620)

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 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.

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.

Tamweel monitors its liquidity position and funding strategies on an ongoing basis, but recognises 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 Company reviews the maturity gap analysis in its monthly ALCO meetings to identify potential liquidity risks in advance. The gap measures liquidity in nine time buckets for each type of asset and liability for each period, as well as cumulatively.

During 2008, the Company successfully completed three capital market transactions i.e. USD 300 million convertible sukuk in the form of Trust Certificates, Sukuk al Mudarabah, AED 1,100 million Trust certificates/Sukuk al Musharaka and AED 865 million Islamic Syndication Mudaraba Facility included in Mudaraba in note 20 to diversify the funding sources and manage the maturity mismatch.

To meet the challenging market conditions and the possibility that financing obligations may not readily be rolled over on maturity, the Board of Directors along with the Steering Committee, set up by the Ministry of Finance, is evaluating various options to secure sustainable funding for the Group.

TAMWEEL PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

29 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and off balance sheet items analysed according to when they are expected to be recovered, settled or sold.

At 31 December 2008

	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	352,304	-	-	352,304	-	-	352,304
Advances, prepayments and other receivables	13,546	7,363	148,782	169,691	13,821	19,396	202,908
Properties held for sale	-	-	507,459	507,459	165,243	-	672,702
Investment properties	-	-	-	-	39,610	-	39,610
Other investments	-	1,657	4,233	5,890	-	48,086	53,976
Islamic financing and investing assets	299,856	246,575	695,306	1,241,737	2,385,391	6,859,685	10,486,813
Property and equipment	-	4,908	45,877	50,785	8,502	5,781	65,068
Total assets	665,706	260,503	1,401,657	2,327,866	2,612,567	6,932,948	11,873,381
LIABILITIES							
Zakat payable	-	-	60,599	60,599	-	-	60,599
Accounts payable, accruals and other liabilities	343,933	271,914	163,403	779,250	138,237	4,965	922,452
Financing obligations	1,513,894	3,162,930	1,070,000	5,746,824	2,825,540	-	8,572,364
Total liabilities	1,857,827	3,434,844	1,294,002	6,586,673	2,963,777	4,965	9,555,415
Assets less liabilities	(1,192,121)	(3,174,341)	107,655	(4,258,807)	(351,210)	6,927,983	2,317,966
COMMITMENTS							
Irrevocable commitments to extend credit	454,716	517,126	1,235,205	2,207,047	827,070	-	3,034,117
	454,716	517,126	1,235,205	2,207,047	827,070	-	3,034,117

TAMWEEL PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

29 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and off balance sheet items analysed according to when they are expected to be recovered, settled or sold.

At 31 December 2007

	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	189,761	-	-	189,761	-	-	189,761
Advances, prepayments and other receivables	179,149	125,105	202,927	507,181	32,866	-	540,047
Properties held for sale	70,578	390,526	1,076,775	1,537,879	770,815	-	2,308,694
Investment properties	-	-	-	-	45,301	-	45,301
Other investments	-	25,875	-	25,875	44,463	-	70,338
Islamic financing and investing assets	115,933	365,269	170,429	651,631	999,489	3,672,427	5,323,547
Property and equipment	-	848	27,382	28,230	7,810	-	36,040
Total assets	555,421	907,623	1,477,513	2,940,557	1,900,744	3,672,427	8,513,728
LIABILITIES							
Zakat payable	12,761	-	14,921	27,682	-	-	27,682
Accounts payable, accruals and other liabilities	138,956	58,562	386,113	583,631	222,051	3,067	808,749
Financing obligations	920,000	578,000	3,674,329	5,172,329	459,000	-	5,631,329
Total liabilities	1,071,717	636,562	4,075,363	5,783,642	681,051	3,067	6,467,760
Assets less liabilities	(516,296)	271,061	(2,597,850)	(2,843,085)	1,219,693	3,669,360	2,045,968
COMMITMENTS							
Irrevocable commitments to extend credit	378,815	1,042,060	1,745,919	3,166,794	256,227	-	3,423,021
Purchase of properties	-	-	9,180	9,180	72,708	-	81,888
Contribution to share capital	-	17,650	-	17,650	412,119	-	429,769
Property development	-	-	10,581	10,581	-	-	10,581
	378,815	1,059,710	1,765,680	3,204,205	741,054	-	3,945,259

TAMWEEL PJSC and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2008

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 2008 AED'000	1 to 3 months 2008 AED'000	3 to 12 months 2008 AED'000	Subtotal less than 12 months 2008 AED'000	Over 1 year 2008 AED'000	Total 2008 AED'000
At 31 December 2008						
Zakat payable	-	-	60,599	60,599	-	60,599
Accounts payable, accruals and other liabilities	343,933	271,914	163,403	779,250	143,202	922,452
Financing obligations	1,526,114	3,204,767	1,236,230	5,967,111	3,361,888	9,328,999
	1,870,047	3,476,681	1,460,232	6,806,960	3,505,090	10,312,050
				<i>Subtotal less than 12 months 2008 AED'000</i>	<i>Over 1 year 2008 AED'000</i>	<i>Total 2008 AED'000</i>
	<i>Within 1 month 2008 AED'000</i>	<i>1 to 3 months 2008 AED'000</i>	<i>3 to 12 months 2008 AED'000</i>			
	12,761	-	14,921	27,682	-	27,682
	138,956	58,562	386,113	583,631	225,118	808,749
	953,325	591,455	3,770,022	5,314,802	514,769	5,829,571
	1,105,042	650,017	4,171,056	5,926,115	739,887	6,666,002

At 31 December 2007

Zakat payable
Accounts payable, accruals and other liabilities
Financing obligations

TAMWEEL PJSC and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2008

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

Property development and investment activities

Principally involved in the development, purchase and sale of properties and related activities including commissions

These segments are the basis on which the Group reports its segments information. Segmental information for the years ended 31 December 2008 and 2007 was as follows:

	31 December 2008			31 December 2007		
	Islamic financing and investment activities AED'000	Property development & investment activities AED'000	Others AED'000	Islamic financing and investment activities AED'000	Property development & investment activities AED'000	Others AED'000
Gross income	747,378	479,760	13,761	1,240,899	378,884	45,705
Allocable expenses	(518,310)	(107,437)	(30,385)	(656,132)	(61,634)	-
Segment result	229,068	372,323	(16,624)	584,767	317,250	45,705
Provision for impairment	(72,935)	(51,167)	-	(124,102)	-	-
Segment result after provision	156,133	321,156	(16,624)	460,665	317,250	45,705
Profit for the year				460,665		451,239
Segment assets	10,572,332	888,697	412,352	11,873,381	2,631,644	319,141
Segment liabilities	7,750,200	1,001,091	804,124	9,555,415	1,995,817	665,526
Depreciation	-	19	3,592	3,611	-	3,118
Capital expenditure	-	13,171	19,638	32,809	-	7,678

No secondary segment information has been provided as currently the operations of the Group are concentrated primarily in the United Arab Emirates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

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 2008 and 31 December 2007. Capital comprises share capital, statutory reserve, general reserve, special reserve, cumulative changes in fair value, translation reserve, convertible sukuk equity component and retained earnings and is measured at AED 2,325,646 thousands as at 31 December 2008 (31 December 2007: AED 1,837,545 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 income statement are as follows:

	31 December 2008		31 December 2007	
	Key management personnel AED'000	Major shareholders AED'000	Key management personnel AED'000	Major shareholders AED'000
Income from Islamic financing and investing activities	852	-	293	-
Depositors' share of profit	-	67,000	-	21,884
	852	67,000	293	21,884

Balances with related parties included in the consolidated balance sheet are as follows:

	31 December 2008			31 December 2007		
	Key management personnel AED'000	Major shareholders AED'000	Others AED'000	Key management personnel AED'000	Major shareholders AED'000	Others AED'000
Islamic financing and investing assets	16,387	-	-	12,676	-	-
Financing obligations (a)	-	1,428,680	-	-	986,207	-
Depositors' share of profit payable	-	44,013	-	-	21,884	-
Payable for property purchase	-	-	-	-	8,642	-
Premium payable in respect of properties insured	-	-	2,460	-	-	1,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

32 RELATED PARTY TRANSACTIONS (continued)

(a) Included in financing obligations is an amount of AED 9,000 thousand (2007: 9,000 thousand) payable to the shareholders of Tamweel LLC and represents the following:

	2008 AED'000	2007 AED'000
Shares transferred to the Group for the employees' benefit plan (Note 22)	9,000	9,000

Compensation of key management personnel is as follows:

	2008 AED'000	2007 AED'000
Short term employee benefits	8,815	7,190
Termination and other benefits	1,049	2,014
	9,864	9,204

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.

At 31 December 2008

	Designated as trading or fair value through profit and loss AED'000	Available for sale AED'000	Finances & receivables AED'000	Amortised cost AED'000	Total AED'000
Financial assets					
Other investments	4,233	1,657	-	48,086	53,976
Islamic financing and investing assets	-	-	10,486,813	-	10,486,813
Advances, deposits and other receivables	-	-	164,686	-	164,686
Bank balances and cash	-	-	-	352,304	352,304
Total	4,233	1,657	10,651,499	400,390	11,057,779
Financial liabilities					
Zakat payable	-	-	-	60,599	60,599
Accounts payable, accruals and other liabilities	-	-	-	922,452	922,452
Financing obligations	-	-	-	8,572,364	8,572,364
Total	-	-	-	9,555,415	9,555,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2008

33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2007

	<i>Designated as trading or fair value through profit and loss AED'000</i>	<i>Available for sale AED'000</i>	<i>Finances and receivables AED'000</i>	<i>Amortised cost AED'000</i>	<i>Total AED'000</i>
<i>Financial assets</i>					
Other investments	23,103	2,315	-	44,920	70,338
Islamic financing and investing assets	-	-	5,323,547	-	5,323,547
Advances, deposits and other receivables	-	-	508,313	-	508,313
Bank balances and cash	-	-	-	189,761	189,761
Total	23,103	2,315	5,831,860	234,681	6,091,959
<i>Financial liabilities</i>					
Zakat payable	-	-	-	27,682	27,682
Accounts payable, accruals and other liabilities	-	-	-	808,749	808,749
Financing obligations	-	-	-	5,631,329	5,631,329
Total	-	-	-	6,467,760	6,467,760

34 CORRESPONDING FIGURES

The following corresponding figures for 2007 have been reclassified to improve the quality of information presented:

Item reclassified	From	To	Description	Amount AED'000
Consolidated Income Statement				
Commission income earned on properties financed	Fees, commission and other income	Income from Islamic financing and investing assets	Commission income earned on properties financed by the Group has been reclassified for better presentation.	28,745
Consolidated Balance Sheet				
Accrued profit on Islamic financing and investing assets	Advances, prepayment and other receivables	Islamic financing and investing assets	The accrued and amortised profit on Islamic financing and investing assets has been reclassified into Islamic financing and investing assets for better presentation.	107,008

35 DATE OF AUTHORISATION

These financial statements were approved for issue by the Board of Directors on 22 February 2009.