Amlak Finance PJSC

FINANCIAL STATEMENTS

31 DECEMBER 2004

ERNST & YOUNG

P.O. Box 9267
28th Floor
Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates

Phone: 3324000
Fax: 3324004
dubai.uae@ey.com
www.ey.com/me

AUDITORS' REPORT TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC

We have audited the accompanying balance sheet of Amlak Finance PJSC (the 'Company') as of 31 December 2004 and the related statements of income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Ernst & Young

Signed by
Edward B Quinlan
Partner
Registration No. 93

11 January 2005

Dubai, United Arab Emirates

INCOME STATEMENT

Year ended 31 December 2004

	Notes	2004 AED'000	2003 AED'000
Income from financing and investment activities	3	**15,438**	-
Processing fees and other income	4	**21,580**	11,461
Income before net interest income		**37,018**	11,461
Interest income	1,5	**47,338**	16,725
Interest expense	1,5	**(3,726)**	(3,138)
Net interest income		**43,612**	13,587
Operating income		**80,630**	25,048
General and administrative expenses	6	**(22,597)**	(11,039)
Net profit before distributions to depositors		**58,033**	14,009
Distribution to depositors	7	**(10,282)**	-
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS		**47,751**	14,009
Earnings per share (UAE Dirhams)	8	**0.07**	0.13

The attached notes 1 to 26 form part of these financial statements.

Amlak Finance PJSC

BALANCE SHEET

At 31 December 2004

	Notes	2004 AED'000	2003 AED'000
ASSETS			
Cash and deposits with banks	9	**222,858**	37,948
Financing and investment activities, net	1,10	**1,490,369**	-
Loans and advances, net	1,11	**-**	530,869
Other investments	12	**46,969**	-
Other assets		**29,630**	4,086
Fixed assets, net	13	**7,417**	842
TOTAL ASSETS		**1,797,243**	573,745
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1,14	**750,000**	110,000
General reserve	15	**6,176**	1,401
Statutory reserve	15	**6,176**	1,401
Retained earnings		**43,377**	7,110
Proposed dividends	16	**-**	3,300
Total shareholders' equity		**805,729**	123,212
Liabilities			
Investment deposits	17	**201,703**	-
Accounts payable		**5,436**	1,459
Due to related parties	18	**773,649**	446,452
Accrued Zakat	19	**934**	-
Other liabilities		**9,792**	2,622
Total liabilities		**991,514**	450,533
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,797,243**	573,745

These financial statements have been approved on 11 January 2005 by:

Chairman | Director | Chief Executive Officer

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2004

	Note	2004 AED'000	2003 AED'000
OPERATING ACTIVITIES			
Profit attributable to the shareholders		47,751	14,009
Adjustments for:			
Depreciation		1,099	1,123
Cash from operations before working capital changes		48,850	15,132
Financing and investment activities and loans and advances		(959,500)	(403,153)
Other investments		(46,969)	-
Other assets		(25,544)	(2,066)
Investment deposits		201,703	-
Accounts payable		3,977	883
Due to related parties		327,197	319,368
Other liabilities		6,170	761
Net cash used in operating activities		(444,116)	(69,075)
INVESTING ACTIVITIES			
Purchase of fixed assets		(7,674)	(687)
Net cash used in investing activities		(7,674)	(687)
FINANCING ACTIVITIES			
Increase in share capital		640,000	75,000
Loan repayment to parent company		-	(5,455)
Dividend payment		(3,300)	-
Net cash provided by financing activities		636,700	69,545
INCREASE IN CASH AND CASH EQUIVALENTS		184,910	(217)
Cash and cash equivalents at the beginning of the year		2,948	3,165
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	187,858	2,948

The attached notes 1 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2004

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Retained earnings (accumulated losses) AED'000*	*Proposed dividends AED'000*	*Total AED'000*
Balance at 31 December 2002	35,000	-	-	(797)	-	34,203
Net profit for the year	-	-	-	14,009	-	14,009
Share capital increase	75,000	-	-	-	-	75,000
Transfer to statutory reserve	-	1,401	-	(1,401)	-	-
Transfer to general reserve	-	-	1,401	(1,401)	-	-
Proposed dividends	-	-	-	(3,300)	3,300	-
Balance at 31 December 2003	110,000	1,401	1,401	7,110	3,300	123,212
Net profit for the year	-	-	-	47,751	-	47,751
Share capital increase	640,000	-	-	-	-	640,000
Transfer to statutory reserve	-	4,775	-	(4,775)	-	-
Transfer to general reserve	-	-	4,775	(4,775)	-	-
Dividends paid	-	-	-	-	(3,300)	(3,300)
Zakat	-	-	-	(934)	-	(934)
Board of Directors' remuneration	-	-	-	(1,000)	-	(1,000)
Balance at 31 December 2004	**750,000**	**6,176**	**6,176**	**43,377**	-	**805,729**

The attached notes 1 to 26 form part of these financial statements.

1 ACTIVITIES

Amlak Finance PJSC (the 'Company') was incorporated in Dubai on 11 November 2000 as a private shareholding company in accordance with UAE Federal Law No (8) of 1984, as amended.

At the constituent shareholders' meeting held on 9 March 2004, a resolution was passed to convert the Company to a public joint stock company.

Further, a resolution was passed to transform the Company's activities to be in full compliance with the Islamic Sharia'a rules and principles. The entire process was completed on 1 June 2004. As a result the Company transformed its conventional financing products into Islamic financing products during the five month period ended 31 May 2004 after negotiation and agreement with its customers.

The Company is licensed by the UAE Central Bank as a finance company and is now primarily engaged in financing and investment activities such as Ijara, Murabaha, Mudaraba, etc. The activities of the Company are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association.

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

The Company had 88 employees as of 31 December 2004 (2003: 51 employees).

2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Basis of preparation
The financial statements have been prepared in accordance with Standards issued, or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, Sharia'a rules and principles as determined by the Company's Supervisory Board and applicable requirements of United Arab Emirates laws.

The financial statements have been presented in UAE Dirhams.

Accounting convention
The financial statements are prepared under the historical cost convention as modified for available-for-sale investment measured at fair value.

The accounting policies have been consistently applied by the Company.

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

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

Murabaha
An agreement whereby the Company sells to a customer a commodity which the Company has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

Mudaraba
An agreement between the Company and a third party whereby one party would provide a certain amount of funds, which the other party (Mudarib) would then invest in a specific enterprise or activity against a specific share in the profit. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Definitions - continued

Wakala
An agreement whereby the Company 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 a percentage of the amount invested). The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Revenue recognition
Ijarah
Ijarah income is recognised on a time-proportion basis over the lease term.

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

Mudaraba
Income or losses on Mudaraba financing are recognized on an accrual basis if they can be reliably estimated. Otherwise, income is recognized on distribution by the Mudarib , whereas the losses are charged to income on their declaration by the Mudarib.

Processing fees
Processing fees are recognized when facilities are approved.

Interest income and interest expense
Interest income and expenses resulting from transactions before the transformation date were recognized on an accrual basis.

Allocation of profit
Allocation of profits between depositors and shareholders is calculated according to the Company's standard procedures and is approved by the Company's Fatwa and Shariah Supervisory Board.

Financing and investment activities
Financing and investment activities consist of Ijarah contracts, Murabaha receivables, Mudaraba financing and Wakala contracts. Financing and investment activities are stated at amortized cost less deferred profits and any provisions for impairment.

Loans and advances
Loans and advances were initially measured at cost. After initial recognition loans and advances were stated at cost less any write offs and provision for doubtful debts.

Other investments
All investments are initially recognised at cost, being the fair value of the consideration given including acquisition costs.

Held to maturity
Investments which have fixed or determinable payments and fixed maturity and which are intended to be held to maturity are carried at amortised cost, less provision for impairment in value.

Available for sale
After initial recognition, investments classified as "available-for-sale," are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment the cumulative gain or loss previously reported in equity is included in the income statement for the year.

For unquoted available-for-sale investments, a reasonable estimate of the fair value is determined by reference to the market value of a similar investment or is based on acceptable valuation techniques. If fair value cannot be reliably measured, such investments are carried at cost less provision for impairment in value.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Other investments - continued

Investments in associates
Investments in associates are accounted for under the equity method of accounting. Associates are enterprises over which the Company exercises significant influence (normally where it holds 20% to 50% of the voting power).

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less.

Fixed assets
Fixed assets are stated at cost less accumulated depreciation and any impairment in value.

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

Furniture and fixtures	4 - 7 years (2003: 4 years)
Computer and office equipment	3 years
Motor vehicles	4 years

Assets under development are not depreciated.

The carrying values of fixed assets 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.

Impairment and uncollectibility of financial assets
An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the income statement. In addition, a provision is made to cover collective impairment of groups of assets based on their estimated recoverable amounts.

Accounts payable and accruals
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognized when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Zakat
Zakat is computed as per the Company's Articles and Memorandum of Association and is approved by the Company's Fatwa and Shariah Supervisory Board on the following basis:

- Zakat on investment and financing activities' provision is deducted from profit for the year before appropriation.
- Zakat on shareholders' equity is computed on their zakat pool (shareholders' equity less paid up capital, plus employees' end of service benefits) and is deducted from their dividends.
- 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.

2 SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

Foreign currencies
Transactions in foreign currencies are recorded at rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the exchange rates prevailing at that date. Any gain or loss arising from changes in exchange rates subsequent to the date of a transaction is recognized in the income statement.

3 INCOME FROM FINANCING AND INVESTMENT ACTIVITIES

	2004 AED'000	*2003 AED'000*
Financing activities		
Ijara	14,497	-
Murabaha	615	-
	15,112	-
Investment activities		
Wakala	174	-
	174	-
Investments		
Dividend income	152	-
	152	-
Total income from financing and investment activities	15,438	-

4 PROCESSING FEES AND OTHER INCOME

	2004 AED'000	*2003 AED'000*
Processing fees	13,471	9,452
Income on deposits	3,315	1,633
Other income	4,794	376
	21,580	11,461

Other income includes AED 4,020 thousand being Initial Public Offering processing fees, net of the Initial Public Offering expense.

5 INTEREST INCOME AND INTEREST EXPENSE

Interest income and interest expense recognized during 2004 resulted from transactions executed before the Company started providing only Islamic finance services.

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2004 AED'000	*2003 AED'000*
Staff costs	**10,888**	5,224
Advertisement and public relations services	**972**	54
Rent	**1,100**	333
Depreciation	**1,099**	1,123
Provision for doubtful debts	**2,923**	2,004
Others	**5,615**	2,301
	22,597	11,039

7 DISTRIBUTION TO DEPOSITORS

The distribution of profit between the depositors and shareholders has been made in accordance with a basis ratified by the Fatwa and Sharia'a Supervisory Board.

8 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to the shareholders for the year of AED 47,751 thousand (2003: AED 14,009 thousand) by the weighted average number of shares outstanding during the year of 646,875,000 (2003: 110,000,000).

9 CASH AND CASH EQUIVALENTS

	2004 AED'000	*2003 AED'000*
Cash in hand	**23**	-
Cash at bank and short term investments	**187,835**	2,948
Cash and cash equivalents	**187,858**	2,948
Fixed deposit maturing after 1 year (2003: after 4 years)	**35,000**	35,000
Cash and deposits with bank	**222,858**	37,948

Fixed deposit maturing after 1 year represents the amount deposited with a local bank under lien to the Central Bank of UAE in accordance with Central Bank regulations. The short term investments earn a return at prevailing market rates.

10 FINANCING AND INVESTMENT ACTIVITIES, NET

Financing Activities

	2004 AED'000	*2003 AED'000*
Ijara	**1,314,147**	-
Ijarah projects in progress	**103,105**	-
International and local Murabaha	**49,860**	-
Vehicle Murabaha	**4,184**	-
	1,471,296	-
Less:		
Provision for impairment	**(4,927)**	-
Total financing activities, net	**1,466,369**	-

Investment activities

Mudaraba	**14,000**	-
Wakala	**10,000**	-
Total investment activities	**24,000**	-
Total financing and investment activities, net	**1,490,369**	-

11 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances were primarily real estate mortgage financing. Following the shareholders' decision to transform the Company's activities to be in full compliance with Islamic rules and regulations and Sharia'a principles and after negotiations and agreement with customers, loans and advances were converted into financing and investment activities during the year.

12 OTHER INVESTMENTS

Other investments comprise:

	2004 AED'000	*2003 AED'000*
Held-to-maturity investments	**23,644**	-
Unquoted available-for-sale investments	**21,325**	-
Investment in an associate	**2,000**	-
	46,969	-

Held-to-maturity investments are investments in Islamic Sukuk maturing over a period of two years.

Investments in unquoted securities are carried at cost less provision for impairment, as the fair value cannot be reliably measured.

Investment in an associate represents a 40% share in Emaar Financial Services LLC.

13 FIXED ASSETS

The movement on fixed assets during the year is as follows:

	Furniture and fixtures AED'000	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Assets under development AED'000*	*Total AED'000*
Cost					
At 1 January 2004	1,278	3,263	93	-	4,634
Additions	5,385	917	99	1,273	7,674
At 31 December 2004	**6,663**	**4,180**	**192**	**1,273**	**12,308**
Depreciation					
At 1 January 2004	876	2,858	58	-	3,792
Depreciation charge for the year	674	390	35	-	1,099
At 31 December 2004	**1,550**	**3,248**	**93**	-	**4,891**
Net carrying amount					
At 31 December 2004	**5,113**	**932**	**99**	**1,273**	**7,417**
At 31 December 2003	402	405	35	-	842

14 SHARE CAPITAL

	2004 AED'000	*2003 AED'000*
Authorised, issued and fully paid		
750,000,000 shares of AED 1 each	**750,000**	110,000
(2003: 110,000,000 shares of AED 1 each)		

During the year, a loan from Emaar Properties PJSC amounting to AED 227,500 thousand included in due to related parties at 31 December 2003 was converted to capital to constitute together with the initial capital of AED 110,000 thousand, 45% of the new capital. The remaining 55% was arranged through public offering of 412,500,000 shares of AED 1 each.

15 STATUTORY AND GENERAL RESERVES

In accordance with its Articles of Association, the Company allocates 10% of the annual net profit to the statutory reserve and another 10% to the general reserve. The transfers to statutory reserve may be suspended when the reserve reaches 50% of the paid-up capital. Transfers to general reserve may also be suspended when the reserve reaches 50% of paid-up capital or by approval of the ordinary general assembly based upon the recommendation of the Board of Directors.

16 PROPOSED DIVIDENDS

The Board of Directors has proposed a cash dividend of Nil (2003: AED 0.03 per share - AED 3,300 thousand) which is subject to the approval of the shareholders at the Annual General Meeting.

17 INVESTMENT DEPOSITS

These are primarily corporate investment deposits accepted on a Mudaraba financing basis and will mature within one year.

18 RELATED PARTY TRANSACTIONS

Transactions with related parties
These represent transactions with related parties, i.e. principal shareholder, directors and senior management of the company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the financial statements are as follows:

- Interest expense / Islamic finance cost of AED 12,305 thousand (2003: AED 3,138 thousand) on loans from Emaar Properties PJSC, the principal shareholder (formerly parent company).
- The loans from Emaar properties PJSC were converted into Mudaraba financing facilities repayable over a period between 2 and 5 years.
- Directors remuneration for the period prior to the Company becoming public of AED 1,150 thousand.
- Purchase of investments amounting to AED 3,188 thousand.

Due to related parties
Due to related parties comprises:

	2004 *AED'000*	*2003* *AED'000*
Emaar Properties PJSC	**769,042**	446,452
Emaar Financial Services LLC	**4,607**	-
	773,649	446,452

Included in due to Emaar Properties PSJC are unsecured loans amounting to AED 215,807 thousand converted to Mudaraba financing facilities that are repayable over a period between 2 and 5 years.

19 ACCRUED ZAKAT

According to a resolution of the Company's Sharia Supervisory Board, Zakat to be accrued by the Company for the year 2004 is for the 7 month period commencing from June to December 2004. Zakat due for the first 5 month period from January to May 2004 is the responsibility of the shareholders.

20 COMMITMENTS

Credit-related commitments
Credit-related commitments include commitments to extend facilities designed to meet the requirements of the Company's customers. Commitments generally have fixed expiration dates, or other termination clauses, and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Company has the following credit related commitments:

	2004 *AED'000*	*2003* *AED'000*
Irrevocable commitments to extend credit:		
Original term to maturity of more than one year	**840,537**	928,770

Capital commitment
As at the year end the Company was committed to capital expenditure of AED 27,963 thousand (2003: AED 1,943 thousand).

21 RISK MANAGEMENT

Pricing risk
Pricing risk, comprising market and valuation risks, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short terms changes in fair value.
The Company is not exposed to any risk in terms of the repricing of its liabilities since in accordance with Islamic Sharia'a the Company does not provide a contractual rate of return to its depositors.

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

There are formal procedures to assess and monitor credit risk as part of the process of advancing finance. In addition, management regularly reviews the state of receivables and provision is made for any specific balances considered doubtful of recovery. The credit risk is reduced since all assets and finance receivables are considered to be fully secured by direct ownership or mortgage over the assets financed.

The Company's customers are mainly based in the United Arab Emirates. At 31 December 2004, there was no significant concentration of credit risk.

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

The table below summarises the maturity profile of the Company's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

21 RISK MANAGEMENT - continued

Liquidity risk - continued
The maturity profile of the assets and liabilities at 31 December 2004 was as follows:

	Less than 3 months AED'000	*3 months to 1 year AED'000*	*over 1 year AED'000*	*Total AED'000*
Assets				
Cash and deposits with banks	**187,858**	**-**	**35,000**	**222,858**
Financing and investment activities, net	**40,397**	**121,191**	**1,328,781**	**1,490,369**
Other investments	**-**	**-**	**46,969**	**46,969**
Other assets	**28,810**	**820**	**-**	**29,630**
Fixed assets, net	**-**	**-**	**7,417**	**7,417**
	257,065	**122,011**	**1,418,167**	**1,797,243**
Liabilities and equity:				
Investment deposits	**-**	**201,703**	**-**	**201,703**
Due to related parties – Short term	**14,360**	**-**	**-**	**14,360**
Due to related parties – Long term	**-**	**-**	**759,289**	**759,289**
Accrued Zakat	**934**	**-**	**-**	**934**
Payables and other liabilities	**15,228**	**-**	**-**	**15,228**
Equity	**-**	**-**	**805,729**	**805,729**
	30,522	**201,703**	**1,565,018**	**1,797,243**

The maturity profile of the assets and liabilities at 31 December 2003 was as follows:

	Less than 3 months AED'000	*3 months to 1 year AED'000*	*over 1 year AED'000*	*Total AED'000*
Assets				
Cash and deposits with banks	2,948	-	35,000	37,948
Loans and advances to customers	10,288	30,860	489,721	530,869
Other assets	1,354	2,732	-	4,086
Fixed assets	-	-	842	842
	14,590	33,592	525,563	573,745
Liabilities and equity:				
Due to related parties	-	-	446,452	446,452
Payables and other liabilities	3,821	-	260	4,081
Equity	-	-	123,212	123,212
	3,821	-	569,924	573,745

Maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contracted or expected maturity date.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no material assets or liabilities in currencies other than Dirhams or US Dollars. Accordingly, the company is not subject to significant currency risk.

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Company include cash and deposits with banks, financing and investment activities and loans and advances to customers. Financial liabilities of the Company include corporate investment deposits, accounts payable, due to related parties.

The fair values of financial instruments, with the exception of available-for-sale investments carried at cost, are not materially different from their carrying value.

23 OFF BALANCE SHEET MUDARABA FUNDS

This represents an amount of AED 10,000 thousand being the contribution of a customer to a Mudaraba agreement concluded by the Company with a third party.

24 CAPITAL ADEQUACY

The Company monitors the adequacy of its capital using ratios established by Central Bank of The UAE. The limit prescribed by Central Bank of the UAE is that the Capital and Reserves should cover 15 % of the commitments and assets. These ratios measure capital adequacy by comparing the Company's eligible capital with its total balance sheet assets, commitments and contingencies:

	2004 *AED'000*	*2003* *AED'000*
Capital and Reserves	**805,729**	123,212
Risk weighted assets	**2,037,220**	1,007,772
Ratio	**39.55%**	12.23%

25 COMPARATIVE AMOUNTS

The corresponding figures for 2003 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.

26 APPROVAL OF THE BOARD OF DIRECTORS

The financial statements were approved by the Board of Directors on 11 January 2005 corresponding to 1 Dhu Al Hijja 1425.