

Amlak Finance PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC

Report on the Financial Statements

We have audited the accompanying financial statements of Amlak Finance PJSC and its subsidiaries (the 'Company'), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then 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 and Memorandum of Association of the Company, the UAE Federal Law No. 8 of 1984 (as amended) and Federal Law No. 10 of 1980. 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 auditors' 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 for 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.

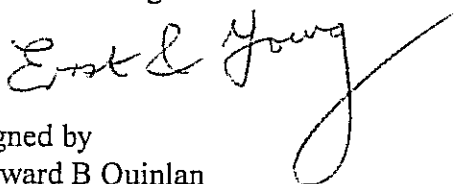
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Federal Law No. 8 of 1984 (as amended), Federal Law No. 10 of 1980 and the Articles and Memorandum of Association of the Company; proper books of account have been kept by the Company, and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Federal Law No. 8 of 1984 (as amended), Federal Law No. 10 of 1980 or of the Articles and Memorandum 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

27 February 2007

Dubai, United Arab Emirates

Amlak Finance PJSC

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	<i>2006 AED'000</i>	<i>2005 AED'000</i>
REVENUE			
Income from financing and investing assets	3	276,111	155,305
Processing fees		33,971	13,991
Gain on investments	4	4,133	32,779
Income on deposits		25,398	15,691
Other income	5	40,348	17,310
		<u>379,961</u>	<u>235,076</u>
General and administrative expenses	6	(86,701)	(57,542)
Share of profit of an associate	11	10,449	31,162
Profit before distributions to depositors		<u>303,709</u>	<u>208,696</u>
Distribution to depositors	7	(173,286)	(102,690)
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS		<u><u>130,423</u></u>	<u><u>106,006</u></u>
Basic and diluted earnings per share (UAE Dirhams)	8	<u><u>0.09</u></u>	<u><u>0.07</u></u>

The attached notes 1 to 28 form part of these financial statements.

Amlak Finance PJSC

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	Notes	2006 AED '000	2005 AED '000
ASSETS			
Cash and deposits with banks	9	268,228	749,070
Financing and investing assets	10	4,125,891	3,184,001
Investments in associates	11	18,720	34,912
Other investments	12	545,199	552,400
Other assets	13	79,142	174,972
Furniture, fixtures and office equipment	14	9,064	6,913
TOTAL ASSETS		5,046,244	4,702,268
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1,500,000	1,500,000
General reserve	16	29,819	16,777
Statutory reserve	16	29,819	16,777
Cumulative changes in fair value		(6,824)	132,067
Retained earnings		215,950	119,607
Total equity		1,768,764	1,785,228
Liabilities			
Sukuk payable	17	697,680	697,680
Investment deposits	18	2,508,577	2,169,208
Accrued Zakat	19	13,238	6,242
Other liabilities	20	57,985	43,910
Total liabilities		3,277,480	2,917,040
TOTAL EQUITY AND LIABILITIES		5,046,244	4,702,268

Approved by the Board of Directors on 27 February 2007 corresponding to 9 Saffar 1428 and signed on its behalf by:

Chairman

Director

Managing Director & Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements.

Amlak Finance PJSC

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	<i>2006 AED'000</i>	<i>2005 AED'000</i>
OPERATING ACTIVITIES			
Profit for the year attributable to the shareholders		130,423	106,006
Adjustments for:			
Share of profit of an associate	11	(10,449)	(31,162)
Depreciation	14	2,560	1,974
Write off of furniture, fixtures and office equipment		-	1,273
Gain on investments		(4,133)	(32,779)
		<u>118,401</u>	<u>45,312</u>
Working capital changes:			
Financing and investing assets		(941,890)	(1,693,632)
Other assets		95,830	(145,342)
Investment deposits		339,369	1,967,505
Accrued Zakat		-	(2,266)
Other liabilities		13,075	(745,967)
Net cash used in operating activities		<u>(375,215)</u>	<u>(574,390)</u>
INVESTING ACTIVITIES			
Investment in an associate	11	(2,214)	(1,750)
Other investments		(127,557)	(342,585)
Purchase of furniture, fixtures and office equipment	14	(4,711)	(2,743)
Dividend received from an associate	11	28,855	-
Net cash used in investing activities		<u>(105,627)</u>	<u>(347,078)</u>
FINANCING ACTIVITIES			
Increase in share capital		-	750,000
Issue of Sukuk		-	697,680
Net cash from financing activities		<u>-</u>	<u>1,447,680</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
		(480,842)	526,212
Cash and cash equivalents at the beginning of the year		<u>714,070</u>	<u>187,858</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	<u><u>233,228</u></u>	<u><u>714,070</u></u>

The attached notes 1 to 28 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative changes in fair value AED '000	Retained earnings AED '000	Proposed dividends AED '000	Total AED '000
At 1 January 2005	750,000	6,176	6,176	-	43,377	-	805,729
Share capital increase	750,000	-	-	-	-	-	750,000
Net movement in cumulative changes in fair value	-	-	-	132,067	-	-	132,067
Profit for the year attributable to the shareholders	-	-	-	-	106,006	-	106,006
Total income for the year	-	-	-	132,067	106,006	-	238,073
Transfer to statutory reserve	-	10,601	-	-	(10,601)	-	-
Transfer to general reserve	-	-	10,601	-	(10,601)	-	-
Zakat (note 19)	-	-	-	-	(7,574)	-	(7,574)
Board of Directors' fees	-	-	-	-	(1,000)	-	(1,000)
Balance at 31 December 2005	1,500,000	16,777	16,777	132,067	119,607	-	1,785,228
Net movement in cumulative changes in fair value	-	-	-	(138,891)	-	-	(138,891)
Profit for the year attributable to the shareholders	-	-	-	-	130,423	-	130,423
Total income and expenses for the year	-	-	-	(138,891)	130,423	-	(8,468)
Transfer to statutory reserve	-	13,042	-	-	(13,042)	-	-
Transfer to general reserve	-	-	13,042	-	(13,042)	-	-
Zakat (note 19)	-	-	-	-	(6,996)	-	(6,996)
Board of Directors' fees	-	-	-	-	(1,000)	-	(1,000)
Balance at 31 December 2006	1,500,000	29,819	29,819	(6,824)	215,950	-	1,768,764

The attached notes 1 to 28 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

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 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 negotiations 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 investing activities such as Ijara, Murabaha, Mudaraba, Musharaka. 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 Company's shares are listed on Dubai Financial Market.

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

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates laws.

Accounting convention

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available for sale investments.

The consolidated financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED 000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by it as at 31 December each year.

The entities controlled by the Company consist of the following special purpose entities set up by the Company for trading of shares in the local market on behalf of the Company:

- Park Investment LLC
- Tasabeeh Investment LLC

The entities are registered in the name of a director and a former director of the Company who have confirmed that they are holding the ownership of these entities in trust for and on behalf of the Company.

Changes in accounting policies

The accounting policies are consistent with those used in the previous year.

IASB Standards and interpretation issued but not yet effective

IFRS 7 Financial Instruments: Disclosures

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks.

IAS 1 Presentation of financial statements (amended)

The application of IAS 1 (amended), which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to the Company's objectives, policies and procedures for managing capital.

2.2 SIGNIFICANT MANAGEMENT ESTIMATES AND JUDGMENTS

Use of estimates:

The preparation of the financial statements requires management to use its judgements and 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 and fair value for the year. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Impairment losses on financing and investing assets

The Company reviews its problem financing and investing assets on a regular basis to assess whether a provision for impairment should be recorded in the income statement. In particular, judgment 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 realization costs.

Collective impairment provisions on financing and investing assets

In addition to specific provisions against individually significant financing and investing assets, the Company also makes a collective impairment provision against such assets 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 estimates based on length of time past due. The estimates are adjusted to reflect current economic changes.

Valuation of unquoted equity investments

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

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

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

Judgments

Classification of investments

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

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

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

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

All other investments are classified as available for sale.

Impairment of equity investment

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists giving due consideration to other factors, including normal volatility in share prices for quoted equities and the future cash flows and the discount factors for unquoted equities.

2.3 DEFINITIONS

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

Ijarah

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

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.

Musharaka

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 losses are charged to income on their declaration by the Mudarib.

Musharaka

Income is accounted for on the basis of the reducing balance on a time- apportioned basis that reflects the effective yield on the asset.

Processing fees

Processing fees are recognized when facilities are approved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income on deposits

Income on deposits is accrued based on the estimates of the management and past history of income on similar deposits.

Allocation of profit

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

Financing and investing assets

Financing and investing assets consist of Ijarah contracts, Murabaha receivables, Mudaraba financing, and Wakala contracts. Financing and investing assets are stated at cost less any provisions for impairment.

Investments in associates

The Company's investments in associates are accounted for under the equity method of accounting. These are entities over which the Company exercises significant influence and which are neither subsidiaries nor joint ventures. Investments in associates are carried in the balance sheet at cost, plus post-acquisition changes in the Company's share of net assets of the associate, less any impairment in value. The income statement reflects the Company's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate.

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.

Investments carried at fair value through profit or loss

Investments are classified as fair value through profit or loss if the fair value of the investment can be reliably measured and the classification as fair value through profit or loss is as per the strategy of the Company. After initial recognition, such investments are subsequently measured at fair value. All related gains or losses are taken to income statement.

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. Upon impairment any losses, 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.

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 expected discounted cash flows. If fair value cannot be reliably measured, such investments are carried at cost less provision for impairment in value.

Trade and settlement date accounting

All "regular way" purchases and sale of financial assets are recognised on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Company no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

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.

Furniture, fixtures and office equipment

Furniture, fixtures and office equipment 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
Computer and office equipment	3 years
Motor vehicles	4 years

Assets under development are not depreciated.

The carrying values of furniture, fixtures and office 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 furniture, fixtures and office 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 furniture, fixtures and office equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

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 shareholders' equity is computed on their zakat pool (shareholders' equity less paid up capital, plus employees' end of service benefits) and is deducted from retained earnings.
- 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 computation and is payable by the shareholders personally.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**Employees' end of service benefits**

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.

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.

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.

Fair values

For securities quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted equity investments, fair value is determined by reference to the current market value of a similar investment, or is based on the expected discounted cash flows.

The estimated fair value of deposits with no stated maturity is the amount payable on demand.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly are not included in these consolidated financial statements.

3 INCOME FROM FINANCING AND INVESTING ASSETS

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
<i>Financing assets</i>		
Ijarah	221,726	128,011
Murabaha	37,583	18,417
	<u>259,309</u>	<u>146,428</u>
<i>Investing assets</i>		
Mudaraba	16,676	7,515
Musharaka	-	560
	<u>16,676</u>	<u>8,075</u>
Other	<u>126</u>	<u>802</u>
Total income from financing and investing assets	<u><u>276,111</u></u>	<u><u>155,305</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

4 GAIN ON INVESTMENTS

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Gain on sale of investments carried at fair value through profit or loss	2,450	5,414
Gain on sale of non-trading investments	10,768	18,117
Unrealised (loss) gain on investments carried at fair value through profit or loss	(9,085)	9,248
	<u>4,133</u>	<u>32,779</u>

5 OTHER INCOME

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Management fees	3,037	4,192
Guarantee fees	6,182	2,592
Dividend & sukuk income	20,372	850
Others	10,757	9,676
	<u>40,348</u>	<u>17,310</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Staff costs	32,747	19,540
Rent	2,301	1,459
Advertisement and public relations services	10,668	3,075
Depreciation	2,560	1,983
Provision for impairment	20,275	18,255
Others	18,150	13,230
	<u>86,701</u>	<u>57,542</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

8 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing profit attributable to the shareholders for the year, net of Directors' remuneration, of AED 129,423 thousand (2005: AED 105,006 thousand) by weighted average number of shares outstanding during the year, adjusted for the bonus element included in the rights issue (the bonus element being the impact of issuing rights shares at value lower than the prevailing market price) as required by International Financial Reporting Standards (IFRS).

	<i>2006</i>	<i>2005</i>
Outstanding shares at beginning of the year	1,500,000,000	750,000,000
Shares issued during the year	-	750,000,000
Outstanding shares at end of the year	1,500,000,000	1,500,000,000
Weighted average number of shares	1,500,000,000	902,054,795
Weighted average number of shares adjusted in accordance with IFRS	1,500,000,000	1,413,654,000
Earnings per share	AED 0.09	AED 0.07

No figure for diluted earnings per share has been presented because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

9 CASH AND CASH EQUIVALENTS

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Cash in hand	39	41
Current accounts	54,498	119,924
Deposits with Islamic banks	213,691	629,105
	268,228	749,070
Less: Deposits maturing after 1 year	(35,000)	(35,000)
Cash and cash equivalents	233,228	714,070

Fixed deposit maturing after one year represents the amount deposited with a local bank under lien to the Central Bank of UAE in accordance with Central Bank regulations. Deposits with Islamic banks earn a return to be determined at the end of each accounting period.

10 FINANCING AND INVESTING ASSETS

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
<i>Financing assets</i>		
Ijarah	2,529,316	2,158,477
Ijarah projects in progress	792,777	241,637
Commodities Murabaha - International	37,420	91,496
Commodities Murabaha – Local	672,357	431,217
Real estate Murabaha	42,438	17,604
Vehicle Murabaha	44,971	23,460
	<u>4,119,279</u>	<u>2,963,891</u>
Less:		
Provision for impairment	(43,457)	(23,182)
Total financing assets	<u>4,075,822</u>	<u>2,940,709</u>
<i>Investing assets:</i>		
Mudaraba	50,069	231,392
Musharaka	-	11,900
Total investing assets	<u>50,069</u>	<u>243,292</u>
Total financing and investing assets, net	<u><u>4,125,891</u></u>	<u><u>3,184,001</u></u>

Gross financing and investing assets by geographical area are as follows:

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Within U.A.E.	3,981,877	3,103,622
Outside U.A.E.	187,471	103,561
	<u><u>4,169,348</u></u>	<u><u>3,207,183</u></u>

The Ijarah assets include those offered as security for Sukuk payable (note 17) and certain investment deposits (note 18).

The movement in the provision for impairment is as follows:

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Balance at the beginning of year	23,182	4,927
Additions during the year	20,275	18,255
Balance at the end of year	<u><u>43,457</u></u>	<u><u>23,182</u></u>

Amlak Finance PJSC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

11 INVESTMENTS IN ASSOCIATES

	2006 AED'000	2005 AED'000
a) 37.5% share of Emaar Financial Services LLC - unquoted		
Balance at the beginning of the year	34,912	3,750
Share of profit for the year	10,449	31,162
Dividend received	(28,855)	-
	<u>16,506</u>	<u>34,912</u>
b) Company under formation (see note below)	2,214	-
	<u>18,720</u>	<u>34,912</u>

The following table summarises information in respect of the Company's investment in Emaar Financial Services LLC:

	2006 AED'000	2005 AED'000
Share of associate's balance sheet:		
Assets	105,981	98,226
Liabilities	(89,475)	(63,314)
Net assets	<u>16,506</u>	<u>34,912</u>
Share of associate's revenue and results:		
Revenue	<u>34,818</u>	<u>96,663</u>
Results	<u>10,449</u>	<u>31,162</u>

Note:

During the year, the Company has agreed to subscribe to 22.5% of the share capital of Amlak International, a company under formation in the Kingdom of Saudi Arabia. The Company has paid AED 2,214 thousand being 1% of its total commitment. Commitment for uncalled capital is disclosed in note 23.

12 OTHER INVESTMENTS

	2006 AED'000	2005 AED'000
Held-to-maturity debt investments	-	22,063
Quoted available-for-sale investments:		
Debts	30,135	29,384
Funds	73,807	25,854
Equity	191,741	278,030
	<u>295,683</u>	<u>333,268</u>
Unquoted available-for-sale investments:		
Debts	6,610	7,346
Funds	61,324	97,620
Equity	179,907	78,460
	<u>247,841</u>	<u>183,426</u>
Quoted equity investments at fair value through profit or loss	<u>1,675</u>	<u>13,643</u>
	<u>545,199</u>	<u>552,400</u>

- (i) Unquoted available-for-sale investments are carried at cost less provision for impairment, as the fair value cannot be reliably measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

12 OTHER INVESTMENTS - continued

- (ii) The carrying value of the Company's investments totals 31% of shareholders' equity. Article 90 of Federal Law No. 10 of 1980 limits investments in shares or bonds of commercial companies to 25% of the shareholders' equity. Management is in the process of bringing the carrying value of its investments within the specified limit.

13 OTHER ASSETS

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Advances for property under development	27,963	13,982
Shares subscribed awaiting allocation	-	41,123
Prepayments	7,408	2,504
Income receivable	23,805	27,835
Others	19,966	89,528
	<u>79,142</u>	<u>174,972</u>

Advances for property under development represent progress payments for the purchase of certain apartments for resale. The total contracted cost of the apartments is AED 34,953 (2005: AED 34,953) thousand.

14 FURNITURE, FIXTURES AND OFFICE EQUIPMENT

	<i>Furniture and fixtures AED'000</i>	<i>Computers and office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Assets under development AED'000</i>	<i>Total AED'000</i>
Cost					
At 1 January 2006	6,706	6,880	192	-	13,778
Additions	2,003	1,843	41	824	4,711
Transfer	824	-	-	(824)	-
Disposals	-	-	(48)	-	(48)
At 31 December 2006	<u>9,533</u>	<u>8,723</u>	<u>185</u>	<u>-</u>	<u>18,441</u>
Depreciation					
At 1 January 2006	2,372	4,364	129	-	6,865
Depreciation charge for the year	1,096	1,423	41	-	2,560
Disposals	-	-	(48)	-	(48)
At 31 December 2006	<u>3,468</u>	<u>5,787</u>	<u>122</u>	<u>-</u>	<u>9,377</u>
Net carrying amount					
At 31 December 2006	<u>6,065</u>	<u>2,936</u>	<u>63</u>	<u>-</u>	<u>9,064</u>
At 31 December 2005	<u>4,334</u>	<u>2,516</u>	<u>63</u>	<u>-</u>	<u>6,913</u>

15 SHARE CAPITAL

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Authorised, issued and fully paid		
1,500,000,000 shares of AED 1 each	1,500,000	1,500,000
(2005: 1,500,000,000 shares of AED 1 each)	<u>1,500,000</u>	<u>1,500,000</u>

16 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.

17 SUKUK PAYABLE

On 18 July 2005, the Company issued five year sukuk repayable with profit over six semi annual installments starting from 18 January 2008. The sukuk was issued at par by way of a public offering and is listed in Dubai Financial Market. The sukuk is secured by certain financing and investing assets located in Dubai with carrying value equal to the outstanding sukuk payable (note 10).

18 INVESTMENT DEPOSITS

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
a) Deposits through Amlak Real Estate Fund		
Balance at the beginning of the year	270,577	-
Deposits collected	-	276,407
Accrued profit	17,128	10,701
Repayments during the year	(33,258)	(16,531)
Balance at the end of the year	<u>254,447</u>	<u>270,577</u>
b) Other Mudaraba and Wakala deposits	2,254,130	1,898,631
	<u>2,508,577</u>	<u>2,169,208</u>

The Company collected investment deposits of USD 75 million payable within 3 years with minimum expected profit rate of 6% through a special purpose real estate fund. These deposits are secured by earmarked Ijarah assets included in financing and investing assets (note 10). Other Mudaraba and wakala deposits are unsecured and will mature within one year.

19 ACCRUED ZAKAT

Zakat is provided for as per the approval of the Sharia Board of the Company.

20 OTHER LIABILITIES

	<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Advances received against property under development	6,723	14,478
Accrued Sukuk rental	22,769	17,070
Accrued expenses	8,367	3,563
Other payables	20,126	8,799
	<u>57,985</u>	<u>43,910</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

21 RELATED PARTY TRANSACTIONS

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

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

	<i>Associated companies AED 000</i>	<i>Major shareholders AED 000</i>	<i>Directors and senior management AED 000</i>	<i>Other related parties AED 000</i>	<i>2006 Total AED 000</i>	<i>2005 AED 000</i>
Cash and deposits with banks	-	-	-	110,091	110,091	-
Financing and investing assets	-	-	4,776	19,030	23,806	3,896
Investment deposits	-	370,155	-	139,579	509,734	454,972
Other assets	9,645	-	-	21,831	31,476	11,574
Other liabilities	-	8,776	-	-	8,776	334,222

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

	<i>Associated companies AED 000</i>	<i>Major shareholders AED 000</i>	<i>Directors and senior management AED 000</i>	<i>Other related parties AED 000</i>	<i>2006 Total AED 000</i>	<i>2005 AED 000</i>
Income from financing and investing assets	-	-	337	-	337	337
Income from investment deposits	-	-	-	15,073	15,073	-
Distribution to depositors	-	27,127	-	9,958	37,085	43,803
Guarantee commission	-	-	-	6,181	6,181	-

In addition to the Directors' fees of AED 1 million (2005: AED 1 million), the compensation paid to key management personnel of the Company is as follows:

	<i>2006 AED'000</i>	<i>2005 AED'000</i>
Salaries and other benefits	5,158	2,775
Employee terminal benefits	232	1,194
	<u>5,390</u>	<u>3,969</u>

22 SEGMENTAL INFORMATION**Primary segment information**

For operational and management reporting purposes, the company is organised in one major business segment of Islamic financing and investing activities.

Secondary segment information

For operational and management reporting purposes, the company is organised in one geographical segment, Middle East. Consequently, no secondary segment information is required to be provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

23 COMMITMENTS AND CONTINGENCIES*Commitments*

		<i>2006</i> <i>AED'000</i>	<i>2005</i> <i>AED'000</i>
Irrevocable commitments to extend credit	23.1	1,427,774	620,249
Purchase of properties	23.2	6,991	20,964
Contribution to share capital	23.3	408,997	-
		<u>1,843,762</u>	<u>641,213</u>

- 23.1 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.
- 23.2 At the year end, the Company was committed to purchase certain apartments for resale.
- 23.3 The Company has commitments on account of uncalled capital of an associate and other investees. The Company has to pay as and when calls are made by the investee companies.

Contingencies

The Company has issued guarantees on behalf of an associate amounting to AED 414,135 thousand (2005: AED 345,000 thousand).

24 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 fixed 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 its financing and investing assets and provision is made for any specific balances considered doubtful of recovery. The credit risk is reduced since financing and investing assets are considered to be secured by ownership, mortgage or control over the assets financed.

The Company's customers are mainly based in the United Arab Emirates. All of ijarah assets are in respect of real estates in the UAE. Most of local commodities Murabaha are for share purchases and international Murabaha are with entities in Kingdom of Saudi Arabia, Bahrain, Qatar, Iran and Sudan.

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.

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 has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The table below summarises the maturity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

24 RISK MANAGEMENT – continued

The maturity profile of the assets and liabilities at 31 December 2006 was as follows:

Assets	Profit rate %	Less than 3 months AED'000	3 months to 6 months AED'000	6 months to 1 year AED'000	1 year to 5 years AED'000	Over 5 years AED'000	Total AED'000
Cash and deposits with banks	5-6%	123,137	-	110,091	35,000	-	268,228
Financing and investing assets	6-11%	214,973	138,881	438,226	1,399,502	1,934,309	4,125,891
Investment in associate	-	-	-	-	-	18,720	18,720
Other investments	4-9%	69,718	-	7,344	273,545	194,592	545,199
Other assets	-	79,142	-	-	-	-	79,142
Furniture, fixture and equipment	-	-	-	-	-	9,064	9,064
		<u>486,970</u>	<u>138,881</u>	<u>555,661</u>	<u>1,708,047</u>	<u>2,156,685</u>	<u>5,046,244</u>
Liabilities and equity							
Sukuk payable	6-7%	-	-	-	697,680	-	697,680
Investment deposits	3-7%	1,015,016	493,194	519,000	100,000	381,367	2,508,577
Accrued Zakat	-	13,238	-	-	-	-	13,238
Other liabilities	-	57,985	-	-	-	-	57,985
Equity	-	-	-	-	(6,824)	1,775,588	1,768,764
		<u>1,086,239</u>	<u>493,194</u>	<u>519,000</u>	<u>790,856</u>	<u>2,156,955</u>	<u>5,046,244</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

24 RISK MANAGEMENT – continued

The maturity profile of the assets and liabilities at 31 December 2005 was as follows:

Assets	Profit rate %	Less than 3 months AED '000	3 months to 6 months AED '000	6 months to 1 year AED '000	1 year to 5 years AED '000	Over 5 years AED '000	Total AED '000
Cash and deposits with banks	4-6%	714,070	-	-	35,000	-	749,070
Financing and investing assets	5.50-10%	58,550	133,920	267,840	1,538,298	1,185,393	3,184,001
Investment in associate	-	-	-	-	-	34,912	34,912
Other investments	4-9%	-	-	-	552,400	-	552,400
Other assets	-	174,972	-	-	-	-	174,972
Furniture, fixture and equipment	-	-	-	-	2,000	4,913	6,913
		<u>947,592</u>	<u>133,920</u>	<u>267,840</u>	<u>2,127,698</u>	<u>1,225,218</u>	<u>4,702,268</u>
Liabilities and equity							
Sukuk payable	6-7%	-	-	-	697,680	-	697,680
Investment deposits	3-7%	158,918	318,685	1,157,916	533,689	-	2,169,208
Accrued Zakat	-	6,242	-	-	-	-	6,242
Other liabilities	-	43,910	-	-	-	-	43,910
Equity	-	-	-	-	132,067	1,653,161	1,785,228
		<u>209,070</u>	<u>318,685</u>	<u>1,157,916</u>	<u>1,363,436</u>	<u>1,653,161</u>	<u>4,702,268</u>

25 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 investing assets, investments and other assets. Financial liabilities of the Company include bank overdraft, sukuk payable, investment deposits, accounts payable and due to related parties.

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

26 OFF BALANCE SHEET ITEMS

A customer has contributed Nil (2005: USD 10,000 thousand) to a Mudaraba agreement concluded by the Company with a third party.

27 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:

	<i>2006</i> <i>AED '000</i>	<i>2005</i> <i>AED '000</i> <i>(restated)</i>
Capital and Reserves	<u>1,768,764</u>	<u>1,785,228</u>
Risk weighted assets	<u>4,768,952</u>	<u>3,946,285</u>
Ratio	<u>37.09%</u>	<u>45.24%</u>

28 COMPARATIVE AMOUNTS

The following corresponding figures for 2005 have been reclassified in order to conform to the presentation for the current year. This has been done to improve the quality of information presented. Such reclassifications do not affect previously reported net profit or equity.

- Funds received through Amlak Real Estate Fund amounting to AED 221,114 thousand at 31 December 2005, which were previously offset against financing and investing assets have now been presented on a gross basis. Related income and cost accounts have also been grossed up.
- An amount of AED 98,353 thousand included in the financing and investing assets has now been reclassified as amounts due from associated companies. This has converted amounts due to associated companies of AED 21,647 thousand at 31 December 2005 to amounts due from associated companies of AED 76,706 thousand.
- Other investments amounting to AED 36,720 thousand have been offset against sukuk payable.
- Amounts due from related parties and amounts due to related parties have now been presented under respective assets and liabilities with separate disclosures in note 21.