

EMAAR Properties PJSC and Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2006

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
EMAAR PROPERTIES PJSC**

Introduction

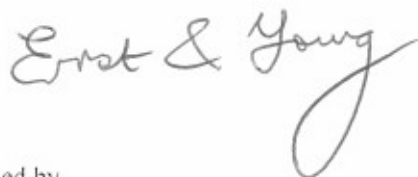
We have reviewed the accompanying interim consolidated balance sheet of Emaar Properties PJSC ("Emaar" or "the Company") and its subsidiaries ("the Group") as at 30 September 2006 and the related interim statements of income, changes in equity and cash flows for the period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Edward B Quinlan
Partner
Registration No. 93

Dubai
29 October 2006

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Period ended 30 September 2006 (Unaudited)

(US \$1.00 = AED 3.673)

	<i>Notes</i>	<i>Nine months ended</i>		<i>Three months ended</i>	
		<i>30 September 2006</i>	<i>30 September 2005</i>	<i>30 September 2006</i>	<i>30 September 2005</i>
		<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenues	4	8,457,840	6,757,424	3,378,664	2,040,882
Cost of revenues	4	(3,584,860)	(2,925,553)	(1,673,699)	(843,085)
GROSS PROFIT		4,872,980	3,831,871	1,704,965	1,197,797
Other operating income		182,674	409,828	109,267	153,631
Selling, general and administration expenses	5	(797,632)	(697,791)	(290,139)	(228,040)
Other operating expenses		(77,580)	(111,728)	(39,546)	(38,015)
Finance costs		(57,688)	(23,912)	(47,653)	(19,693)
Finance income	6	297,066	217,230	58,947	75,743
Other income		175,255	58,317	79,362	18,335
Share of results from associated companies		100,028	36,636	51,775	20,577
PROFIT BEFORE TAX		4,695,103	3,720,451	1,626,978	1,180,335
Income tax expense		(42,925)	-	(31,709)	-
PROFIT FOR THE PERIOD		4,652,178	3,720,451	1,595,269	1,180,335
ATTRIBUTABLE TO:					
Shareholders of the parent		4,658,425	3,690,206	1,605,059	1,157,463
Minority interest		(6,247)	30,245	(9,790)	22,872
		4,652,178	3,720,451	1,595,269	1,180,335
Earnings per share attributable to the shareholders of the parent:					
Basic earnings per share	20	AED 0.78	AED 0.69	AED 0.26	AED 0.20
Diluted earnings per share	20	AED 0.76	AED 0.67	AED 0.26	AED 0.18

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED BALANCE SHEET

At 30 September 2006 (Unaudited)

(US \$1.00 = AED 3.673)

	Notes	30 September 2006 AED'000	31 December 2005 AED'000 (Audited) (Restated)
ASSETS			
Bank balances and cash	7	2,467,621	10,368,009
Trade receivables	8	449,652	717,533
Other receivables, deposits and prepayments	10	2,199,805	1,928,369
Deposits for share capital of Emaar MGF	11	1,469,200	-
Development properties	12	10,186,890	3,025,750
Securities	13	2,682,856	3,602,868
Loans to associates	14	1,288,424	658,313
Investments in associates	15	6,321,480	3,103,825
Fixed assets, net		3,944,156	1,875,558
Investment properties		6,922,986	6,924,507
Goodwill		2,939,666	-
TOTAL ASSETS		40,872,736	32,204,732
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	16	5,705,504	5,527,575
Borrowings from financial institutions	17	5,329,666	238,693
Retentions payable		847,835	733,121
Provision for employees' end-of-service benefits		9,634	9,035
TOTAL LIABILITIES		11,892,639	6,508,424
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	18	6,075,492	5,780,176
Employees' performance share program		(3,105)	(4,386)
Reserves	19	14,205,210	13,922,653
Retained earnings		8,157,587	5,862,479
		28,435,184	25,560,922
Minority interest		544,913	135,386
TOTAL EQUITY		28,980,097	25,696,308
TOTAL LIABILITIES AND EQUITY		40,872,736	32,204,732

The interim condensed consolidated financial statements were authorised for issue on 29 October 2006 by:


Chairman


Director

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2006 (Unaudited)

(US \$1.00 = AED 3.673)

		<i>Nine months ended 30 September</i>	
		<i>2006</i>	<i>2005</i>
	<i>Notes</i>	<i>AED'000</i>	<i>AED'000</i>
OPERATING ACTIVITIES			
Profit for the period		4,652,178	3,720,451
Adjustments for:			
Share of results of associated companies		(100,028)	(36,636)
Depreciation	5	76,030	75,053
Provision for employees' end-of-service benefits, net		599	3,705
Provision for impairment of loans and advances		-	5,160
Provision for income tax expense		42,925	-
Share based payments		10,433	19,962
Gain on disposal of fixed assets		(154)	(151)
Gain on disposal of securities		(14,406)	(70,692)
		<u>4,667,577</u>	<u>3,716,852</u>
Working capital changes:			
Trade receivables		384,407	(511,529)
Loans and advances – financial services		-	(708,455)
Other receivables, deposits and prepayments		(220,436)	(523,594)
Development properties		(3,219,739)	(269,956)
Trade and other payables		(497,334)	943,613
Customers' deposits – financial services		-	898,821
Retentions payable		114,714	24,305
Net cash from operating activities		<u>1,229,189</u>	<u>3,570,057</u>
INVESTING ACTIVITIES			
Purchase of securities		(793,085)	(1,807,470)
Proceeds from disposal of securities		915,121	196,401
Consideration for acquisition of subsidiary net of cash and cash equivalents gained	9	(4,229,852)	-
Share capital subscription for Emaar MGF in India	11	(1,469,200)	-
Additional investments in and loans to associates		(3,541,964)	(1,716,912)
Amounts incurred on investment properties		(13,779)	(7,965)
Purchase of fixed assets		(2,055,855)	(664,362)
Proceeds from sale of fixed assets		953	300
Deposits under lien or maturing after three months	7	(40,838)	(1,081,056)
Net cash used in investing activities		<u>(11,228,499)</u>	<u>(5,081,064)</u>
FINANCING ACTIVITIES			
Dividend paid		(2,352,976)	(338,838)
Borrowings from financial institutions		3,398,620	1,406,909
Repayment of borrowings from financial institutions		(495,175)	(860,000)
Funds invested by minority shareholders		175,009	460,308
Repayment to minority shareholders		(128,398)	-
Proceeds from rights issue		1,476,580	6,770,668
Received on vesting of share options		1,281	1,479
Net cash from financing activities		<u>2,074,941</u>	<u>7,440,526</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(7,924,369)</u>	<u>5,929,519</u>
Net foreign exchange difference		(16,857)	-
Cash and cash equivalents at the beginning of the period	7	9,035,705	2,233,927
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	<u>1,094,479</u>	<u>8,163,446</u>

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2006 (Unaudited)

(US \$1.00 = AED 3.673)

Attributable to equity holders of the Parent

	<i>Share capital AED'000</i>	<i>Employee performance share program AED'000</i>	<i>Reserves AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>	<i>Minority interest AED'000</i>	<i>Total equity AED'000</i>
Balance at 1 January 2005 (audited)	2,650,000	(5,963)	2,875,400	2,532,498	8,051,935	2,685	8,054,620
Net movement in unrealized gains reserves	-	-	151,503	-	151,503	-	151,503
Profit for the period	-	-	-	3,690,206	3,690,206	30,245	3,720,451
Total income and expenses for the period	-	-	151,503	3,690,206	3,841,709	30,245	3,871,954
Issue of bonus shares – 2004 dividend	185,500	-	-	(185,500)	-	-	-
Dividends paid – 2004	-	-	-	(344,500)	(344,500)	-	(344,500)
Issuance of bonus shares – 2005 dividend	425,325	-	-	(425,325)	-	-	-
Issuance of shares under employees' performance share program	-	1,479	-	-	1,479	-	1,479
Share based payments	-	-	-	19,962	19,962	-	19,962
Rights issue	1,354,134	-	5,416,534	-	6,770,668	-	6,770,668
Additional equity invested by minority shareholders	-	-	-	-	-	460,308	460,308
Balance as of 30 September 2005	4,614,959	(4,484)	8,443,437	5,287,341	18,341,253	493,238	18,834,491
Balance as of 1 January 2006 (audited)	5,780,176	(4,386)	13,922,653	5,862,479	25,560,922	135,386	25,696,308
Net movement in unrealised gains/(loss) reserves	-	-	(898,708)	-	(898,708)	-	(898,708)
Profit for the period	-	-	-	4,658,425	4,658,425	(6,247)	4,652,178
Total income and expenses for the period	-	-	(898,708)	4,658,425	3,759,717	(6,247)	3,753,470
Dividends paid – 2005	-	-	-	(2,373,750)	(2,373,750)	-	(2,373,750)
Issuance of shares under employees' performance share program	-	1,281	-	-	1,281	-	1,281
Share based payments	-	-	-	10,433	10,433	-	10,433
Rights issue	295,316	-	1,181,265	-	1,476,581	-	1,476,581
Additional equity invested by minority shareholders	-	-	-	-	-	175,009	175,009
Acquisition of subsidiaries	-	-	-	-	-	369,163	369,163
Repayment to minority shareholders	-	-	-	-	-	(128,398)	(128,398)
Balance at 30 September 2006	6,075,492	(3,105)	14,205,210	8,157,587	28,435,184	544,913	28,980,097

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

Period ended 30 September 2006 (Unaudited)

1 DOMICILE AND ACTIVITIES

EMAAR Properties Public Joint Stock Company ("the Company" or "the Parent") was established as a public joint stock company by Ministerial Decree number 66 for the year 1997. The Company was established on 23 June 1997 and commenced operations on 29 July 1997. The Company and its subsidiaries constitute the Group ('the Group'). The Company's registered office is at P.O. Box 9440, Dubai, United Arab Emirates.

The principal activities of the Group are property investment and development, property management services, education, hospitality and investment in providers of financial services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In addition, results for the nine months ended 30 September 2006 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2006.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2005, except for the adoption of the amendments to IAS 39, mandatory for annual periods beginning on or after 1 January 2006. The adoption of these amendments does not affect the Group results of operations or financial position.

Certain comparative figures have been restated to conform to the presentation used in these financial statements.

3 SEGMENT INFORMATION

Business segments: For management purposes, the Group is organized into two major business segments.

The real estate segment develops and sells condominiums, villas and plots of land. Other segments include businesses that individually do not meet the criteria for a reportable segment as per IAS 14. These businesses are property management services, education, hospitality and investment in providers of financial services.

Revenue generated from sources other than the real estate segment is included in other operating income.

Geographic segments:

The Group has no significant operations outside the United Arab Emirates that have a significant impact on the Statement of Income. The Group is currently developing a number of international business opportunities outside the United Arab Emirates that will have a significant impact in future periods. The group has also acquired a 100% holding in W L Homes LLC, an unlisted limited liability company in the United States of America, Hamptons Group Limited, an unlisted limited liability company in United Kingdom and Raffles Campus Pte Ltd, an unlisted limited liability company in Singapore during the period (note 9). The Group's assets include assets amounting to AED 18,500,094 thousands (31 December 2005: AED 4,286,685 thousands) located outside the United Arab Emirates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

3 SEGMENT INFORMATION – continued

The following tables represent revenue and profit information regarding business segments for the nine month and three month periods ended 30 September 2006 and 2005 and certain asset and liability information as at 30 September 2006 and 31 December 2005.

2006:

	<i>Real estate AED '000</i>	<i>Others AED '000</i>	<i>Eliminations AED '000</i>	<i>Total AED '000</i>
<i>Nine months ended 30 September 2006</i>				
Revenue				
Sales to external customers	8,457,840	-	-	8,457,840
Total revenue	<u>8,457,840</u>	<u>-</u>	<u>-</u>	<u>8,457,840</u>
Results				
Profit before tax, finance costs finance income and share of profit from associates	<u>4,387,450</u>	<u>(31,753)</u>	<u>-</u>	<u>4,355,697</u>
<i>Three months ended 30 September 2006</i>				
Revenue				
Sales to external customers	3,378,664	-	-	3,378,664
Total revenue	<u>3,378,664</u>	<u>-</u>	<u>-</u>	<u>3,378,664</u>
Results				
Profit before tax, finance costs finance income and share of profit from associates	<u>1,593,620</u>	<u>(29,711)</u>	<u>-</u>	<u>1,563,909</u>
Assets and liabilities (At 30 September 2006)				
Segment assets	<u>38,898,026</u>	<u>2,218,170</u>	<u>(243,460)</u>	<u>40,872,736</u>
Segment liabilities	<u>11,699,151</u>	<u>514,047</u>	<u>(320,559)</u>	<u>11,892,639</u>
Other segment information				
Capital expenditure (fixed assets)	<u>1,811,435</u>	<u>244,420</u>	<u>-</u>	<u>2,055,855</u>
Depreciation (fixed assets)	<u>49,082</u>	<u>11,648</u>	<u>-</u>	<u>60,730</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

3 SEGMENT INFORMATION – continued

2005:

	<i>Real estate AED '000</i>	<i>Others AED '000</i>	<i>Eliminations AED '000</i>	<i>Total AED '000</i>
<i>Nine months ended 30 September 2005</i>				
Revenue				
Sales to external customers	6,757,424	-	-	6,757,424
Total revenue	<u>6,757,424</u>	<u>-</u>	<u>-</u>	<u>6,757,424</u>
Results				
Profit before tax, finance costs finance income and share of profit from associates	<u>3,354,822</u>	<u>135,675</u>	<u>-</u>	<u>3,490,497</u>
<i>Three months ended 30 September 2005</i>				
Revenue				
Sales to external customers	2,040,882	-	-	2,040,882
Total revenue	<u>2,040,882</u>	<u>-</u>	<u>-</u>	<u>2,040,882</u>
Results				
Profit before tax, finance costs finance income and share of profit from associates	<u>1,035,044</u>	<u>68,664</u>	<u>-</u>	<u>1,103,708</u>
Assets and liabilities (At 31 December 2005)				
Segment assets	<u>32,306,648</u>	<u>1,457,127</u>	<u>(1,559,043)</u>	<u>32,204,732</u>
Segment liabilities	<u>7,444,781</u>	<u>401,488</u>	<u>(1,337,845)</u>	<u>6,508,424</u>
Other segment information				
Capital expenditure (fixed assets)	<u>652,529</u>	<u>11,833</u>	<u>-</u>	<u>664,362</u>
Depreciation (fixed assets)	<u>43,021</u>	<u>23,344</u>	<u>-</u>	<u>66,365</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

4 REVENUES AND COST OF REVENUES

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Revenues:				
Sale of plots of land and condominiums	5,172,542	3,415,883	1,943,390	1,185,790
Sale of villas	3,148,732	3,252,647	1,384,556	822,972
Rental income	136,566	88,894	50,718	32,120
	<u>8,457,840</u>	<u>6,757,424</u>	<u>3,378,664</u>	<u>2,040,882</u>
Cost of revenues:				
Cost of plots of land and condominiums	1,829,549	1,344,115	811,134	483,559
Cost of villas	1,744,489	1,567,928	858,354	353,249
Operating cost of leased properties	10,822	13,510	4,211	6,277
	<u>3,584,860</u>	<u>2,925,553</u>	<u>1,673,699</u>	<u>843,085</u>

5 SELLING, GENERAL AND ADMINISTRATION EXPENSES

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Depreciation of fixed assets	60,730	66,365	23,567	18,365
Depreciation of investment properties	15,300	8,688	5,105	2,896
Payroll and related expenses	330,702	207,238	188,568	72,500
Sales and marketing expenses	232,902	193,234	35,881	72,590
Contribution to educational and other funds	34,503	51,244	16,828	-
Other expenses	123,495	171,022	20,190	61,689
	<u>797,632</u>	<u>697,791</u>	<u>290,139</u>	<u>228,040</u>

6 FINANCE INCOME

	<i>Nine months ended</i>		<i>Three months ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Finance income on fixed deposits with banks	191,671	91,174	30,389	45,601
Other finance income	105,395	126,056	28,558	30,142
	<u>297,066</u>	<u>217,230</u>	<u>58,947</u>	<u>75,743</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

7 BANK BALANCES AND CASH

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Cash in hand	724	607
Current and call deposit accounts	684,511	513,784
Fixed deposits and certificates of deposits maturing within three months	409,244	8,521,314
Cash and cash equivalents	<u>1,094,479</u>	<u>9,035,705</u>
Fixed deposits under lien (Note 22)	1,033,492	-
Fixed deposits and certificate of deposits maturing after three months	339,650	1,332,304
	<u><u>2,467,621</u></u>	<u><u>10,368,009</u></u>

8 TRADE RECEIVABLES

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Amounts receivable within 12 months	449,652	717,533
Amounts receivable after 12 months	-	-
	<u><u>449,652</u></u>	<u><u>717,533</u></u>

9 BUSINESS COMBINATION

The Group has undertaken a number of acquisitions during the period. If these acquisitions had taken place at the beginning of the year, the profit for the Group for the period would have been AED 4,825,407 thousands and revenue from continuing operations would have been AED 10,347,734 thousands.

Acquisition of WL Homes LLC

On 1 June 2006 (the acquisition date), the Group acquired 100 % of the voting shares of WL Homes LLC, an unlisted limited liability company headquartered in Newport Beach, California, United States of America. WL Homes LLC is a residential home builder doing business in California and Colorado. The acquisition has been accounted for using the purchase method of accounting. The interim condensed consolidated financial statements include the results of WL Homes LLC for the four month period from the acquisition date.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

9 BUSINESS COMBINATION – continued

The fair value of the identifiable assets and liabilities of WL Homes LLC as at the date of acquisition were:

	<i>Recognised on acquisition (unaudited) AED'000</i>	<i>Carrying value (unaudited) AED'000</i>
Bank balances and cash	303,265	303,265
Development properties	3,941,401	3,718,303
Other receivables, deposits and prepayments	49,204	49,204
Investment in associates	214,249	202,122
Loans to associates	53,589	53,589
Fixed assets	21,032	21,032
	<u>4,582,740</u>	<u>4,347,515</u>
Trade and other payables	523,788	523,788
Loans from financial institutions	2,166,986	2,166,986
Minority interest	365,651	365,651
	<u>3,056,425</u>	<u>3,056,425</u>
Net assets acquired	1,526,315	<u>1,291,090</u>
Goodwill arising on acquisition	2,501,566	
Total acquisition cost	<u>4,027,881</u>	

The total acquisition cost of AED 4,027,881 thousands was paid in cash.

	<i>2006 AED'000 (Unaudited)</i>
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	303,265
Acquisition cost paid in cash	<u>(4,027,881)</u>
Net cash outflow	<u>(3,724,616)</u>

From the date of acquisition, WL Homes LLC has contributed AED 58,319 thousands of profit (net of tax provision) to the Group.

The goodwill recognised above is attributable to the expected synergies and other benefits from combining assets and activities of WL Homes with those of the Group. The amount will be subjected to a normal impairment test before the end of the current financial year.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

9 BUSINESS COMBINATION - continued

Acquisition of Hamptons Group Limited

On 24 August 2006 (the acquisition date), the Group acquired 100 % of the voting shares of Hamptons Group Limited (Hamptons), an unlisted limited liability company headquartered in London, United Kingdom (UK). Hamptons is a realtor and property management consultant in UK. The acquisition has been accounted for using the purchase method of accounting. The interim condensed consolidated financial statements include the results of Hamptons from the acquisition date.

The fair value of the identifiable assets and liabilities of Hamptons as at the date of acquisition were:

	<i>Recognised on acquisition (unaudited) AED'000</i>	<i>Carrying value (unaudited) AED'000</i>
Bank balances and cash	65,118	65,118
Trade receivables	116,438	116,438
Investment in associates/Joint Ventures	7,405	7,405
Purchased goodwill	1,326	1,326
Fixed assets	52,210	52,210
	<u>242,497</u>	<u>242,497</u>
Trade and other payables	85,903	85,903
Loans from financial institutions	20,542	20,542
Minority interest	2,894	2,894
	<u>109,339</u>	<u>109,339</u>
Net assets acquired	133,158	<u>133,158</u>
Goodwill arising on acquisition	425,307	
Total acquisition cost	<u>558,465</u>	

The total acquisition cost of AED 558,465 thousands was paid in cash.

	<i>2006 AED'000 (Unaudited)</i>
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	65,118
Acquisition cost paid in cash	<u>(558,465)</u>
Net cash outflow	<u>(493,347)</u>

The fair value is based on a provisional purchase price allocation undertaken at the time of acquisition. The allocation will be finalised at a later date.

The goodwill recognised above is attributable to the expected synergies and other benefits from combining assets and activities of Hamptons with those of the Group. The amount will be subjected to a normal impairment test before the end of the current financial year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

9 BUSINESS COMBINATION - continued

Acquisition of Raffles Campus Pte Ltd

During the period, the Group acquired 100% of the voting shares of Raffles Campus Pte Limited, an unlisted limited liability company headquartered in Singapore. Raffles Campus Pte Limited is a education provider in Singapore. The acquisition has been accounted for using the purchase method of accounting. The interim condensed consolidated financial statements include the results of Raffle Campus Pte Limited from the date of acquisition.

The fair value of the identifiable assets and liabilities of Raffle Campus Pte Limited as at the date of acquisition were:-

	<i>Recognised on acquisition (unaudited) AED'000</i>	<i>Carrying value (unaudited) AED'000</i>
Bank balances and cash	5,037	5,037
Trade receivables	86	86
Other receivables, deposits and prepayments	1,796	1,796
Intangible	5	5
Fixed assets	1,029	1,029
	<u>7,953</u>	<u>7,953</u>
Trade and other payables	2,076	2,076
Minority interest	618	618
	<u>2,694</u>	<u>2,694</u>
Net assets acquired	5,259	<u>5,259</u>
Goodwill arising on acquisition	11,667	
Total acquisition cost	<u>16,926</u>	

The total acquisition cost of AED 16,926 thousands was paid in cash.

	<i>2006 AED'000 (Unaudited)</i>
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	5,037
Acquisition cost paid in cash	(16,926)
Net cash outflow	<u>(11,889)</u>

The fair value is based on a provisional purchase price allocation undertaken at the time of acquisition. The allocation will be finalised at a later date.

The goodwill recognised above is attributable to the expected synergies and other benefits from combining assets and activities of Raffles Campus Pte Ltd with those of the Group. The amount will be subjected to a normal impairment test before the end of the current financial year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Receivables on sale of interest in a subsidiary/assets	-	736,795
Advances	1,487,313	502,002
Amount recoverable from partner in an associate	-	26,247
Deposits for acquisition of land	98,000	427,974
Accrued interest on bank deposits and investments	68,181	54,613
Prepayments	70,258	13,295
Receivables from service companies	115,684	56,153
Other deposits and receivables	137,939	62,248
Other recoverables	222,430	49,042
	<u>2,199,805</u>	<u>1,928,369</u>

11 SHARE CAPITAL SUBSCRIPTION FOR EMAAR MGF IN INDIA

The group has advanced AED 1,469,200 thousands as a deposit to subscribe for additional shares of Emaar MGF in India.

12 DEVELOPMENT PROPERTIES

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Cost to date	13,323,987	9,015,944
Add: attributable profit	5,478,874	6,504,829
	<u>18,802,861</u>	<u>15,520,773</u>
Less: progress billings	(8,615,971)	(12,495,023)
Total development properties	<u>10,186,890</u>	<u>3,025,750</u>

13 SECURITIES

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Held-to-maturity	1,120,404	1,555,760
Available-for-sale	1,562,452	2,047,108
	<u>2,682,856</u>	<u>3,602,868</u>

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

14 LOANS TO ASSOCIATES

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Amounts owing by Emaar Misr (Egypt)	422,701	262,947
Amounts owing by Emaar Economic City in Kingdom of Saudi Arabia	410,075	-
Amounts owing by Amlak Finance PJSC	244,133	241,901
Amounts owing by Prestige Resorts	70,000	70,000
Amounts owing by Amelkis Resorts	54,349	53,926
Amounts owing by Al Shamiya Lettatweer Al Omrani Company	27,491	27,440
Amounts owing by other associates	59,675	2,099
	<u>1,288,424</u>	<u>658,313</u>

15 INVESTMENTS IN ASSOCIATES

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Carrying value of:		
Investment in Emaar MGF Land Private Limited (India)	1,822,420	1,837,601
Investment in Emaar the Economic City	2,657,845	-
Investment in Amlak Finance PJSC – quoted	875,717	864,421
Investment in Dubai Bank PJSC	160,992	165,760
Investment in Emaar Industries and Investment (Pvt) JSC	109,279	101,918
Investment in Al Shamiyah Al Lettatweer Al Omarani Company (KSA)	96,486	96,543
Investment in Emaar Misr	261,033	2,546
Investment in other associates	337,708	35,036
	<u>6,321,480</u>	<u>3,103,825</u>

The market value of the shares held in Amlak Finance PJSC as at 30 September 2006 is AED 5,286,779 thousands (31 December 2005: AED 7,537,086 thousands).

16 TRADE AND OTHER PAYABLES

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited) (Restated)</i>
Trade payables	346,533	322,203
Project contract cost accruals	1,595,388	1,522,896
Other payables and accruals	1,587,099	974,930
Advances / deposits from customers for sale of properties	1,984,905	2,635,272
Deferred income	86,868	45,502
Unclaimed dividends	47,546	26,772
Tax payable	57,165	-
	<u>5,705,504</u>	<u>5,527,575</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

17 BORROWINGS FROM FINANCIAL INSTITUTIONS

The Group has borrowed AED 2,187,617 thousands from banks during the period, out of which a loan of AED 500,000 thousands is secured by lien on a fixed deposit of the company. The loans are repayable in full within 3 months to 1 year and bear interest in the range of 5.8 % to 6.28%.

In addition, the Group's US subsidiary WL Homes has borrowings of USD 790,459 (AED 2,903,356) thousands. Of these borrowings:

- USD 753,121 (AED 2,766,214) thousands is from financial institutions, secured against real estate owned by the subsidiary, carries interest at the US Prime Rate + 0.25 % to 5% (subject to a maximum of 10%) and matures at various dates to 2009.
- USD 12,638 (AED 46,419) thousands is from land sellers, secured against real estate owned by the subsidiary, carries interest rate of 6% and matures at various dates through to 2013.
- USD 24,700 (AED 90,723) thousands from financial institutions is unsecured, carries interest at US Prime Rate + 0.25 % to 1% and matures in 2008.

18 SHARE CAPITAL

	<i>30 September 2006 AED'000</i>	<i>31 December 2005 AED'000 (Audited)</i>
Authorised capital – 6,096,325,000 shares of AED 1 each (31 December 2005: 6,096,325,000 shares of AED 1 each)	<u>6,096,325</u>	<u>6,096,325</u>
Issued and fully paid-up – 6,075,491,677 shares of AED 1 each (31 December 2005 - 5,780,175,759 shares of AED 1 each)	<u>6,075,492</u>	<u>5,780,176</u>

At the annual general meeting held in March 2005, the shareholders of the Company approved a bonus issue of 0.07:1 (0.07 shares for every share held), thereby increasing the number of shares from 2,650,000 thousands to 2,835,500 thousands.

The Company's shareholders, at an extraordinary general meeting held on 16 July 2005 approved a bonus issue of 0.15:1 (0.15 share for every 1 share held) and a rights issue of 1:1 (one share for every share held before the bonus issue) at a premium of AED 4 per share. The shareholders were given an option to pay for the rights in one or more instalments subject to a maximum of four instalments. During the nine month period ended 30 September 2006 295,315,918 shares were issued to shareholders who paid the instalments due under the rights issue.

EMAAR Properties PJSC and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

19 RESERVES

	<i>Statutory reserve AED '000</i>	<i>Capital reserve AED '000</i>	<i>General reserve AED '000</i>	<i>Net unrealised gains/(losses) reserve AED '000</i>	<i>Foreign currency translation reserve AED '000</i>	<i>Total AED '000</i>
Balance at 1 January 2005	2,487,051	4,004	384,345	-	-	2,875,400
Share premium	5,416,534	-	-	-	-	5,416,534
Net movement during the period	-	-	-	151,503	-	151,503
Balance at 30 September 2005	<u>7,903,585</u>	<u>4,004</u>	<u>384,345</u>	<u>151,503</u>	<u>-</u>	<u>8,443,437</u>
Balance at 1 January 2006	12,564,454	4,004	857,468	496,308	419	13,922,653
Share premium	1,181,265	-	-	-	-	1,181,265
Net movement during the period	-	-	-	(881,851)	(16,857)	(898,708)
Balance at 30 September 2006	<u>13,745,719</u>	<u>4,004</u>	<u>857,468</u>	<u>(385,543)</u>	<u>(16,438)</u>	<u>14,205,210</u>

The statutory reserve includes:

- AED 2,475,000 thousands being the premium collected at AED 15 per share (shares par value at that time was AED 10 per share) on the 1:1.65 rights issue during the year ended 31 December 1998; and
- AED 11,258,667 thousands being the premium collected at AED 4 per share on the 1:1 rights issue in 2005, out of which, AED 1,181,265 thousands has been collected since 1 January 2006.

The capital reserve was created from the gain on sale of treasury shares in 2003.

Net unrealised gains (losses) reserve:

- This reserve records fair value changes in available for sale investments.

Foreign currency translation reserve:

- The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 September 2006 (Unaudited)

20 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. The weighted average numbers of shares outstanding during the period, and the corresponding period of the previous year, have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources. For diluted earnings per share, the weighted average numbers of shares have been adjusted for rights issue shares to be allotted after the period end.

The information necessary to calculate basic and diluted earnings per share is as follows:

	<i>30 September 2006 AED'000</i>	<i>30 September 2005 AED'000</i>
Earnings:		
Profit for the period attributable to equity holders of the Parent	<u>4,658,425</u>	<u>3,690,206</u>
Shares (in thousands):		
Weighted average number of shares outstanding for calculating basic EPS	<u>5,959,077</u>	<u>5,384,214</u>
Weighted average number of shares under rights issue to be allotted on realisation of instalment payment	<u>137,248</u>	<u>141,096</u>
Weighted average number of shares outstanding for calculating diluted EPS	<u>6,096,325</u>	<u>5,525,310</u>
Basic earnings per share	<u>AED 0.78</u>	<u>AED 0.69</u>
Diluted earnings per share	<u>AED 0.76</u>	<u>AED 0.67</u>

21 DIVIDEND

A cash dividend of AED 0.40 per share was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 8 March 2006.

22 CONTINGENCIES AND COMMITMENTS

Contingencies

Loans taken by an associated company from commercial banks amounting to AED 628,523 thousands (31 December 2005: Nil), are guaranteed by the Group. The banks also have a lien on certain fixed deposits (Note 7) of the Group as security for these borrowings.

Commitments

As of 30 September 2006, the Group had commitments of AED 16,944,350 thousands (31 December 2005 - AED 11,095,579 thousands). This represents the value of contracts issued as of the balance sheet date net of invoices received and accruals made at that date.

The Group is in the process of acquiring a 50% interest in Turner International Middle East. For the purpose of this acquisition AED 128,565 thousands has been placed in an escrow account (Note 7) and an advance payment of AED 64,616 thousands has been made for the proposed acquisition, included in advances (Note 10).