ASSURANCE AND ADVISORY
BUSINESS SERVICES



Tamweel L.L.C.

FINANCIAL STATEMENTS

31 DECEMBER 2004

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF TAMWEEL L.L.C.

We have audited the accompanying balance sheet of Tamweel L.L.C ("the Company") as of 31 December 2004 and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements and the Company's undertaking to operate in accordance with Islamic Sharia'a rules and principles 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 and the Sharia'a rules and principles as determined by the Sharia'a Supervisory Board of the Company.

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

10 March 2005

Dubai, United Arab Emirates

INCOME STATEMENT

Year ended 31 December 2004

	Notes	2004 AED'000	2003 AED'000
Income from Islamic financing and investing assets	3	5,693	-
Income from sale of development property, net	4	20,592	-
Fees and other income	5	8,014	-
OPERATING INCOME		34,299	-
General and administrative expenses	6	(18,229)	-
PROFIT FROM OPERATIONS		16,070	-
Loss on disposal of fixed assets		(6)	-
Finance income, net	7	1,921	-
NET PROFIT FOR THE YEAR		17,985	-

The attached notes 1 to 20 form part of these financial statements.

Tamweel L.L.C.

BALANCE SHEET

At 31 December 2004

	Notes	2004 AED'000	2003 AED'000
ASSETS			
Cash and deposits with banks		87,653	300,000
Accounts receivable and prepayments	8	55,793	-
Islamic financing and investing assets	9	288,397	-
Fixed assets	11	5,093	-
TOTAL ASSETS		436,936	300,000
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	300,000	300,000
Statutory reserve	13	1,799	-
Retained earnings		16,186	-
Total shareholders' equity		317,985	300,000
Liabilities			
Accounts payable		19,688	-
Accruals and other payables	14	24,116	-
Mudaraba from Dubai Islamic Bank P.J.S.C.	15	75,000	-
Employees' end of service benefits		147	-
Total liabilities		118,951	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		436,936	300,000

These financial statements have been approved by the Board of Directors on 10 March 2005 by:

Chairman

Director

The attached notes 1 to 20 form part of these financial statements.

Tamweel L.L.C.

STATEMENT OF CASH FLOWS

Year ended 31 December 2004

	2004 AED'000	*2003 AED'000*
OPERATING ACTIVITIES		
Net profit for the year	17,985	-
Adjustments for:		
Depreciation	1,066	-
Loss on disposal of fixed assets	6	-
Provision for employees' end of service benefits	147	-
Income on deposits	(2,528)	-
Cash from operations before working capital changes	16,676	-
Accounts receivable and prepayments	(55,793)	-
Islamic financing and investing assets	(288,397)	-
Accounts payable	19,688	-
Accruals and other payables	24,116	-
Net cash from (used in) operating activities	(283,710)	-
INVESTING ACTIVITIES		
Purchase of fixed assets	(6,197)	-
Proceeds from disposal of fixed assets	32	-
Income on deposits	2,528	-
Net cash used in investing activities	(3,637)	-
FINANCING ACTIVITIES		
Increase in share capital	-	248,000
Mudaraba from Dubai Islamic Bank P. J. S. C.	75,000	-
Net cash from financing activities	75,000	248,000
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(212,347)	248,000
Cash and cash equivalents at 1 January	300,000	52,000
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	87,653	300,000

The attached notes 1 to 20 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2004

	Share capital AED'000	*Statutory reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance at 31 December 2002	52,000	-	-	52,000
Increase in share capital	248,000	-	-	248,000
Balance at 31 December 2003	300,000	-	-	300,000
Net profit for the year	-	-	17,985	17,985
Transfer to statutory reserve	-	1,799	(1,799)	-
Balance at 31 December 2004	**300,000**	**1,799**	**16,186**	**317,985**

The attached notes 1 to 20 form part of these financial statements.

1 ACTIVITIES

Tamweel L.L.C. ("the Company") is registered as a limited liability company in accordance with UAE Federal Law No (8) of 1984, as amended.

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic financing and investment activities such as Ijara, Murabaha, Istina'a etc. The Company is also engaged in the business of property development. 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.

Pursuant to a restructuring in 2003, the Company increased its share capital from AED 52 million to AED 300 million and changed its name from Emirates Finance Company L.L.C. to Tamweel L.L.C. There were no operations in 2003. The Company re-commenced commercial operations from 1 March 2004.

The registered address of the Company is P.O. Box 111555, Dubai, United Arab Emirates.

The Company had 57 employees as of 31 December 2004.

2 SIGNIFICANT ACCOUNTING POLICIES

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

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.

Istisna'a
An agreement between the Company and a third party whereby the Company commits itself to construct specific assets or properties. The price and specifications of the assets or properties are agreed at the outset between the client and the Company. In addition, a construction supervision fee is paid by the client to the Company in phases, equivalent to the progress in the construction of the asset or property.

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

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Sale of property

Revenue on sale of apartments is recognized on the basis of percentage completion as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction work has commenced, with engineering, design work and site clearance being completed;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit. Management believes that the likelihood of the Company being unable to fulfil its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

Ijarah

Ijarah income is recognised on a time-apportioned basis over the lease term.

Murabaha

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

Istisna'a

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

Processing fees

Processing fees are recognized when facilities are approved.

Cost of sale of property

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

Islamic financing and investing assets

Islamic financing and investing assets consist of Ijara contracts, Istisna'a contracts and Murabaha receivables. Istisna'a cost is measured and reported in the financial statements at a value not exceeding the cash equivalent value. Other Islamic financing and investing assets are stated at cost less deferred profits and any provisions for impairment.

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 the assets as follows:

Furniture and fixtures	4 years
Computer and office equipment	3 years
Other assets	3 years

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.

2 SIGNIFICANT ACCOUNTING POLICIES - continued

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, the estimated recoverable amount of that asset is determined and any impairment loss recognised for the difference between the recoverable amount and the carrying amount.

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 Sharia'a 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 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.

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
The Company maintains its books of accounts in U.A.E Dirhams. 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 ISLAMIC FINANCING AND INVESTING ASSETS

	2004 *AED'000*	*2003* *AED'000*
Ijara	**3,436**	-
Murabaha	**1,281**	-
Istisna'a	**976**	-
	5,693	-

4 INCOME FROM SALE OF DEVELOPMENT PROPERTY

	2004 AED'000	*2003 AED'000*
Revenue from sale of property	**40,280**	-
Cost of sale of property	**(19,688)**	-
	20,592	-

5 FEES AND OTHER INCOME

	2004 AED'000	*2003 AED'000*
Processing and arrangement fees	**5,111**	-
Others	**2,903**	-
	8,014	-

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2004 AED'000	*2003 AED'000*
Staff costs	**6,826**	-
Advertisement and public relations services	**4,379**	-
Commissions	**1,296**	-
Legal and professional expenses	**1,514**	-
Depreciation	**1,066**	-
Rent	**809**	-
Others	**2,339**	-
	18,229	-

7 FINANCE INCOME, NET

	2004 AED'000	*2003 AED'000*
Income on deposits	**2,528**	-
Bank charges	**(305)**	-
Mudaraba charges to Dubai Islamic Bank P.J.S.C.	**(302)**	-
	1,921	-

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2004 AED'000	*2003 AED'000*
Unbilled receivables on sale of property	**20,875**	-
Advance for purchase of properties	**25,299**	-
Accrued profit on Islamic financing and investing assets	**5,685**	-
Prepaid expenses	**1,025**	-
Others	**2,909**	-
	55,793	-

9 ISLAMIC FINANCING AND INVESTING ASSETS

	2004 AED'000	*2003 AED'000*
Ijara	219,657	-
Murabaha	45,814	-
Istisna'a	22,926	-
	288,397	-

10 DEVELOPMENT PROPERTY

	2004 AED'000	*2003 AED'000*
Costs incurred during the period	19,688	-
Less: Transferred to cost of sale of property	(19,688)	-
	-	-

11 FIXED ASSETS

	Furniture and fixtures AED'000	*Computers and office equipment AED'000*	*Motor vehicles AED'000*	*Capital work-in-progress AED'000*	*Total AED'000*
Cost:					
At 1 January 2004	-	-	-	-	-
Additions	1,672	1,862	40	2,623	6,197
Disposals	-	-	(40)	-	(40)
At 31 December 2004	**1,672**	**1,862**	-	**2,623**	**6,157**
Depreciation:					
At 1 January 2004	-	-	-	-	-
Charge for the year	407	657	2	-	1,066
Disposals	-	-	(2)	-	(2)
At 31 December 2004	**407**	**657**	-	-	**1,064**
Net book value:					
At 31 December 2004	**1,265**	**1,205**	-	**2,623**	**5,093**
At 31 December 2003	-	-	-	-	-

12 SHARE CAPITAL

	2004 AED'000	*2003 AED'000*
Authorised, issued and fully paid:		
300,000 shares of AED 1,000 each	**300,000**	300,000

13 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

14 ACCRUALS AND OTHER PAYABLES

	2004 *AED'000*	*2003* *AED'000*
Down payments from customers	**21,890**	-
Accrued expenses and other payables	**2,226**	-
	24,116	-

According to a resolution of the Company's Sharia Supervisory Board, no Zakat is to be accrued by the Company for the year 2004 as this does not cover a period of twelve months.

15 MUDARABA FROM DUBAI ISLAMIC BANK P.J.S.C.

The Company has obtained a mudaraba facility from Dubai Islamic Bank P.J.S.C. ("the Bank") to the extent of AED 150 million for the purpose of investment in properties. The amount is to be drawn down in two installments of AED 75 million each. The amount is repayable within 9 months from the date of full drawdown. The profit from the investment in properties is to be shared between the Company and the Bank in the ratio of 70:30 subject to a minimum return to the Bank @ EIBOR plus 0.60% per annum.

16 RELATED PARTY TRANSACTIONS

Transactions with related parties
These represent transactions with related parties, i.e. shareholders, 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:

	2004 *AED'000*	*2003* *AED'000*
Directors' remuneration	**875**	-
Bank charges	**305**	-
Mudaraba charges to Dubai Islamic Bank P.J.S.C.	**302**	-
Cost of sales	**94**	-
Mudaraba from Dubai Islamic Bank P.J.S.C. (note 15)	**75,000**	-

In addition to the above, the Company carries out its banking activities with Dubai Islamic Bank P.J.S.C.

17 COMMITMENTS

Credit-related commitments
Financing-related commitments include commitments to extend finance designed to meet the requirements of the Company's customers.

Commitments to extend financing represent contractual commitments to provide Islamic finaning. 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	**963,848**	-

Capital commitment
As at 31 December 2004, the Company was committed to capital expenditure of AED 227,692.

18 CONTINGENT LIABILITIES

(a) The Company has entered into certain lease agreements amounting to AED 1,288 million (US$ 350 million) with customers of Nakheel L.L.C. ("Nakheel") which are recorded as off-balance sheet items in the books of the Company. The Company has also entered into securitization and service agreements with Nakheel L.L.C. and Emirates National Securities Corporation (ENSeC) in connection with these lease agreements. The combined legal effect of these agreements is that the Company is acting on behalf of Nakheel in term of its arrangements with Nakheel's customers. In return it receives a service fee. Any amounts received from credit customers is passed by the Company to ENSeC on behalf of Nakheel.

Furthermore, as per the agreements, the Company is liable to ENSeC for any defaults by the credit customers. However, Nakheel has provided an irrevocable indemnity to the Company to make good any defaults by the customers and has also provided security in this regard. Accordingly, in the opinion of management the Company has minimal credit risk. The Company has obtained approval from the UAE Central Bank to account for the lease agreements as an off-balance item.

(b) The Company's bankers have provided a guarantee of AED 50 million favoring the UAE Central Bank against the share capital.

19 RISK MANAGEMENT

Pricing risk
Pricing risk, comprising market and valuation risks, is 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.

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.

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	87,653	-	-	87,653
Accounts receivable and prepayments	34,918	20,875	-	55,793
Islamic financing and investing assets	16,606	30,820	240,971	288,397
Fixed assets	-	-	5,093	5,093
	139,177	**51,695**	**246,064**	**436,936**
Shareholders' equity and liabilities				
Accounts payable	19,688	-	-	19,688
Accruals and other payables	24,116	-	-	24,116
Mudaraba fromDubai Islamic Bank P.J.S.C.	-	75,000	-	75,000
Provision for employees' end of service benefits	-	-	147	147
Equity	-	-	317,985	317,985
	43,804	**75,000**	**318,132**	**436,936**

As at 31 December 2003, the bank balances had a maturity of less than 3 months.

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 UAE Dirhams. Accordingly, the Company is not subject to significant currency risk.

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets include cash and deposits with banks, trade accounts receivable and Islamic financing and investing assets. Financial liabilities include accounts payable, accruals and mudaraba payable.

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