Tamweel PJSC and its subsidiaries

Review report and interim financial information for the period ended 30 June 2012

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Review report and interim financial information
for the period ended 30 June 2012

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Deloitte.

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai, United Arab Emirates

Tel: +971(0) 4 376 8888
Fax:+971(0) 4 376 8899
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors
Tamweel PJSC and its subsidiaries
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Tamweel PJSC and its subsidiaries** (the "Group") as at 30 June 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. Management of the Group is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information 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 financial information is not prepared, in all material respects in accordance with IAS 34.

Other matter

The comparative amounts in the condensed consolidated statement of financial position at 31 December 2011 and related explanatory information were audited by another auditor whose report dated 29 January 2012 expressed an unqualified opinion thereon. The prior period comparative amounts in the condensed consolidated statements of income, comprehensive income, changes in equity and cash flows and related explanatory information for the period ended 30 June 2011, were reviewed by another auditor who issued an unqualified conclusion dated 6 July 2011.

Deloitte & Touche (M.E.)

Samir Madbak
Registration Number 386
5 July 2012

Condensed consolidated statement of financial position as at 30 June 2012

	Notes	30 June 2012 AED'000 (unaudited)	31 December 2011 AED'000 (audited)
ASSETS			
Bank balances and cash	4	**630,127**	187,519
Advances, prepayments and other receivables		**96,254**	79,527
Properties held for sale	5	**380,453**	387,203
Other investments	6	**47,476**	46,787
Islamic financing and investing assets, net	7	**9,398,949**	9,299,603
Property and equipment		**25,713**	27,373
Total Assets		**10,578,972**	10,028,012
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		**34,252**	66,326
Accounts payable, accruals and other liabilities		**365,495**	256,462
Financing obligations		**7,901,565**	7,412,704
Total Liabilities		**8,301,312**	7,735,492
Equity			
Share capital		**1,000,000**	1,000,000
Employees' benefit plan		**(10,701)**	(10,701)
Statutory reserve		**195,336**	195,336
General reserve		**538,980**	538,980
Special reserve		**102,951**	102,951
Retained earnings		**443,248**	451,155
Convertible sukuk-equity component		**7,846**	14,799
Total Equity		**2,277,660**	2,292,520
Total Liabilities and Equity		**10,578,972**	10,028,012

Varun Sood
Acting Chief Executive Officer

Mohamed Abdulla Al Nahdi
Vice Chairman

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of income (unaudited) for the period ended 30 June 2012

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Income from Islamic financing and investing assets		136,859	141,555	280,403	280,877
Fees, commission and other income		7,908	7,201	25,360	19,193
Operating income		144,767	148,756	305,763	300,070
General and administrative expenses		(23,804)	(25,754)	(49,538)	(49,487)
Impairment provisions		(13,500)	(13,500)	(22,500)	(29,500)
Provision for litigation losses	8	-	-	(21,550)	-
Profit before depositors'/investors' share of profit and related cost		107,463	109,502	212,175	221,083
Depositors'/investors' share of profit and related cost		(88,896)	(81,779)	(175,535)	(166,117)
Profit for the period		18,567	27,723	36,640	54,966
Earnings per share: Basic earnings per share (AED)	9	0.019	0.028	0.035	0.055
Diluted earnings per share (AED)	9	N.A.	N.A.	N.A.	N.A.

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income (unaudited) for the period ended 30 June 2012

	Three months ended 30 June		Six months ended 30 June	
	2012 AED'000	2011 AED'000	2012 AED'000	2011 AED'000
Profit for the period	**18,567**	27,723	**36,640**	54,966
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	**18,567**	27,723	**36,640**	54,966

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity for the period ended 30 June 2012

	Share capital AED'000	Employees' benefit plan AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Retained earnings AED'000	Convertible sukuk equity component AED'000	Total AED'000
Balance at 1 January 2011 (audited)	1,000,000	(10,646)	185,149	528,793	102,951	390,303	28,706	2,225,256
Profit for the period	-	-	-	-	-	54,966	-	54,966
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Equity component of convertible sukuk	-	-	-	-	-	6,953	(6,953)	-
Balance at 30 June 2011(unaudited)	1,000,000	(10,646)	185,149	528,793	102,951	452,222	21,753	2,280,222
Balance at 1 January 2012 (audited)	1,000,000	(10,701)	195,336	538,980	102,951	451,155	14,799	2,292,520
Profit for the period	-	-	-	-	-	36,640	-	36,640
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Directors' remuneration	-	-	-	-	-	(1,500)	-	(1,500)
Dividend paid	-	-	-	-	-	(50,000)	-	(50,000)
Equity component of convertible sukuk	-	-	-	-	-	6,953	(6,953)	-
Balance at 30 June 2012 (unaudited)	**1,000,000**	**(10,701)**	**195,336**	**538,980**	**102,951**	**443,248**	**7,846**	**2,277,660**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows (unaudited) for the period ended 30 June 2012

	Six months ended 30 June	
	2012 AED'000	2011 AED'000
Operating activities		
Profit for the period	36,640	54,966
Adjustments for:		
Depreciation of property and equipment	2,341	2,813
Amortisation of deferred cost	9,947	9,061
Provision for employees' end of service benefits	995	1,105
Impairment provisions	22,500	29,500
Provision for litigation losses	21,550	-
Depositors'/investors' share of profit and related cost	165,588	157,056
Operating cash flows before changes in operating assets and liabilities	259,561	254,501
Increase in Islamic financing and investing assets, net	(115,096)	(24,818)
Increase in properties held for sale	-	(34)
Increase in advances, prepayments and other receivables	(18,508)	(13,950)
Increase/(decrease) in financing obligations-net (Note 10)	480,695	(310,034)
Increase in accounts payable, accruals and other liabilities	69,892	16,037
Cash generated from/(used in) operation	676,544	(78,298)
Employees' end of service benefits paid	(477)	(603)
Zakat paid	(32,074)	-
Depositors'/investors' share of profit and related cost paid	(148,515)	(160,467)
Directors remuneration paid	(1,500)	-
Dividend paid	(50,000)	-
Net cash generated from/(used in) operating activities	443,978	(239,368)
Investing activities		
Deposit with original maturity over three months	(66,114)	-
Purchase of property and equipment	(681)	(156)
Increase in other investments	(689)	(235)
Net cash used in investing activities	(67,484)	(391)
Net increase/(decrease) in cash and cash equivalents	376,494	(239,759)
Cash and cash equivalents at beginning of the period	187,519	482,263
Cash and cash equivalents at end of the period (Note 4)	564,013	242,504

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012

1 General information

Tamweel PJSC (the "Company") was registered on 3 June 2006 as a Public Joint Stock Company in accordance with U.A.E. Federal Law No (8) of 1984, as amended. The share capital of the Company comprises 1,000,000,000 shares of AED 1 each.

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

The head office of the Group is located at Business Avenue Building, Emirate of Dubai, U.A.E. The Group has one branch each in the Emirates of Dubai and Abu Dhabi.

The Group consists of Tamweel PJSC and its subsidiaries registered up to 30 June 2012 as listed below:

Subsidiaries	Beneficial ownership	Principal activity	Country of incorporation
Tamweel Properties & Investments LLC	100%	Business of property leasing and trading	U.A.E.
Tahfeez Middle East Limited	100%	General trading	JAFZA, U.A.E.
Tamweel Funding Limited	100%	SPE for issuance of convertible sukuk	Jersey
Tamweel Sukuk Limited	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	SPE for employees' benefit plan	British Virgin Islands
Tamweel Funding III Limited	100%	SPE for issuance of sukuk	Cayman Islands

The Company is a 58.25% subsidiary of Dubai Islamic Bank PJSC.

2 Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the condensed consolidated financial statements

The following revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments : Disclosure – Transfer of Financial Assets*
- Amendments to IAS 12 *Deferred Tax – Recovery of Underlying Assets*

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

2 Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and revised standards and interpretation are in issue but not yet effective

The Group has not applied the following new and revised standards and interpretation that have been issued but are not yet effective:

New and revised IFRSs & IFRIC	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Financial Instruments : Disclosure – Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities*	1 January 2013
• IFRS 10 *Consolidated Financial Statements*	1 January 2013
• IFRS 11 *Joint Arrangements*	1 January 2013
• IFRS 12 *Disclosure of interests in other entities*	1 January 2013
• IFRS 13 *Fair Value Measurement*	1 January 2013
• Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
• IAS 19 (as amended in 2011) *Employee Benefits*	1 January 2013
• IAS 27 (as revised in 2011) *Separate Financial Statements*	1 January 2013
• IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*	1 January 2013
• Amendments to IAS 32 *Financial Instruments : Presentation – Offsetting of Financial Assets and Financial Liabilities*	1 January 2014
• Amendments to IAS 1 *Presentation of Financial Statements (comparative information)*; IAS 16 *Property, Plant and Equipment (servicing equipment)*; IAS 32 *Financial Instruments – Presentation (tax effect of equity distribution)*; and IAS 34 *Interim Financial Reporting* (interim reporting of segment assets) resulting from annual improvements 2009-2011 cycle	1 January 2013
• IFIRC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

As of date of issuance of these condensed consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards and interpretation on the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

3 Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34. "*Interim Financial Reporting*" issued by the International Accounting Standards Board and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in Arab Emirates Dirham (AED) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and properties held for sale.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2011. In addition, results for the period from 1 January 2012 to 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The Group adopted IFRS 9 - Financial Instruments (IFRS 9) in 2011 in advance of its effective date. The Standard was applied retrospectively and the Group had chosen the limited exemption not to restate comparative information in the year of initial application. However, there is no material impact to the reported equity or income resulting from the early adoption of IFRS 9.

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and properties held for sale have been disclosed in the condensed consolidated financial statements.

3.2 Significant judgment and sources of estimation uncertainty

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual amount may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimates uncertainty were the same as those which were applied to the consolidated financial statements as at and for the year ended 31 December 2011.

3.3 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

3.4 Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The condensed consolidated financial statements comprise the financial statements of the Company and of the subsidiaries as disclosed in the annual audited financial statements for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

3 Summary of significant accounting policies (continued)

3.4 Basis of consolidation (continued)

As required by SCA certain accounting policies which have not been changed since 31 December 2011 are reproduced below.

Financial assets

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, except for those financial assets measured subsequently at fair value through profit or loss, which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

An instrument is classified as an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are classified as 'debt instruments'.

Financial assets measured at amortised cost

Investment in debt instruments are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss - FVTPL). They are subsequently measured at amortised cost using the effective profit method less any impairment, with profit revenue recognised on an effective profit method in the condensed consolidated statement of income.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

3 Summary of significant accounting policies (continued)

3.4 Basis of consolidation (continued)

Financial assets (continued)

Financial assets at fair value through other comprehensive income - FVTOCI

At initial recognition, the Group can make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value, within equity. Where the asset is disposed of, the cumulative gain or loss previously accumulated is not transferred to the condensed consolidated statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the condensed consolidated statement of income when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective profit rate basis for debt instruments other than those financial assets designated as at FVTPL.

Cash and cash equivalents

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of six months or less.

Islamic financing and investing assets

Islamic financing and investing assets include outstanding ijara fixed rentals, murabaha sales receivables net of deferred profits, istisna'a costs incurred to date measured at cash equivalent value and forward ijara at costs incurred to date. Also included in the islamic financing and investing assets are ijara and forward ijara profit accruals in addition to istisna'a and murabaha amortised profits. These assets are stated at cost net of provisions for impairment and profit suspension, if any.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Properties held for sale

Properties acquired with the intention of sale are classified as properties held for sale. Properties held for sale are stated at cost or at net realizable value, whichever is lower. Cost comprises all cost of purchases and other directly attributable cost relating to properties. Net realizable value represents the estimated selling price less costs to be incurred in selling the property.

4 Bank balances and cash

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Bank balances	630,102	187,494
Cash on hand	25	25
	630,127	187,519
Less: deposit with original maturity over 3 months	(66,114)	-
Cash and cash equivalents	564,013	187,519

Bank balances are held with banks within the U.A.E. and are profit generating at an average profit rate of 1.50% (2011: 2.35%).

Bank balances include a deposit of AED 66 million which is held under lien in accordance with the issuance requirements of the sukuk issued by Tamweel Funding III Limited.

5 Properties held for sale

Movements in properties held for sale were as follows:

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Balance at beginning of the period/year	596,344	578,232
Properties acquired	-	18,112
	596,344	596,344
Impairment provision	(215,891)	(209,141)
Balance at end of the period/year	380,453	387,203

Properties held for sale are located within the U.A.E.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

5 Properties held for sale (continued)

Impairment provision

Movements in the impairment provision were as follows:

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Balance at beginning of the period/year	209,141	168,641
Provision made during the period/year	6,750	40,500
Balance at end of the period/year	215,891	209,141

6 Other investments

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Investment measured at fair value through other comprehensive income (FVTOCI) - within the U.A.E.		
Mutual funds (a)	-	-
Investments measured at amortised costs - outside the U.A.E.		
Investments in notes (b)	28,574	29,273
Profit on notes (b)	18,902	17,514
	47,476	46,787

(a) The fair value of investments in mutual fund units was nil at period end (31 December 2011: Nil).

(b) This represents the investment made in the notes issued by Tamweel Residential ABS CI (1) Ltd in the Cayman Islands. The applicable expected profit rate ranges from 3.95% to 10.00% above LIBOR. The maturity of these notes is the earlier of the year 2037 or the expiry of the securitised receivables.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

7 Islamic financing and investing assets, net

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Ijara and forward ijara (constructed and handed over properties)	7,585,423	7,084,638
Gross murabaha investments and mudaraba receivables	359,299	363,642
Less: Deferred profit	(8,595)	(8,599)
Net murabaha investments and mudaraba receivables	350,704	355,043
Istisna'a and forward Ijara (under construction properties)	1,912,331	2,274,998
	9,848,458	9,714,679
Less: Profit suspended	(89,605)	(70,922)
Less: Provision for impairment	(359,904)	(344,154)
	9,398,949	9,299,603

All the assets financed by the Group are within the U.A.E. Islamic financing and investing assets include accrued profits amounting to AED 265 million (31 December 2011: AED 297 million).

Provisions for impairment

Movements in the provision for impairment were as follows:

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Balance at beginning of the period/year	344,154	330,654
Provision made during the period/year	15,750	13,500
Balance at end of the period/year	359,904	344,154

Collateral

The Group enters into collateral arrangements with counter parties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the legal ownership of the finance property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

8 Provision for litigation losses

The Group has created a provision for the net loss of AED 22 million resulting from litigation.

9 Earnings per share - basic and diluted

Basic earnings per share are calculated by dividing the profit for the period, adjusted for directors' remuneration, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit for the period, adjusted for directors' remuneration, by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares. The diluted earnings per share arising from the issue of employee share options does not result in any change from the reported basic earnings per share.

Basic earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2012 AED'000 (unaudited)	2011 AED'000 (unaudited)	2012 AED'000 (unaudited)	2011 AED'000 (unaudited)
Profit for the period net of directors' remuneration	18,567	27,723	35,140	54,966
Weighted average number of shares outstanding during the period (in thousands)	1,000,000	1,000,000	1,000,000	1,000,000
Basic earnings per share (AED)	0.019	0.028	0.035	0.055

Diluted earnings per share

	Three months ended 30 June		Six months ended 30 June	
	2012 AED'000 (unaudited)	2011 AED'000 (unaudited)	2012 AED'000 (unaudited)	2011 AED'000 (unaudited)
Profit for the period net of directors' remuneration	18,567	27,723	35,140	54,966
Add: Profit on convertible sukuk	11,879	11,872	23,758	23,744
	30,446	39,595	58,898	78,710
	Number of shares		Number of shares	
Weighted average number of shares outstanding during the period (in thousands)	1,136,338	1,136,338	1,136,338	1,136,338
Diluted earnings per share (AED)	N.A.	N.A.	N.A.	N.A.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

9 Earnings per share - basic and diluted (continued)

Diluted earnings per share (continued)

Diluted earnings per share for the six months ended 30 June 2012 and 30 June 2011 have not been calculated since the conversion of sukuk would have an antidilutive effect.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these condensed consolidated financial statements for issuance. The Group holds 10,700,877 (30 June 2011: 10,645,877) shares under the employees' benefit plan, the impact of which on the earnings per share is not material.

10 Financing obligations

Financing obligations include the Trust Certificates ("Investment Sukuk") issued by the Group in January 2012, through Tamweel Funding III Limited, which are listed on the Irish Stock Exchange. The Investment Sukuk is structured to conform to principles of Islamic Sharia'a, matures in 2017 and has a profit rate of 5.15% per annum, payable semi-annually in arrears.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

11 Segment information

For management purposes the Group is organised into two major business segments:

Islamic financing and investing activities	- Principally handling Islamic financing and investing activities.
Property trading and investment activities	- Principally involved in the purchase and sale of properties and related activities including commissions.
Other	- Functions other than the above core lines of business.

These segments are the basis on which the Group reports its segments information. Segment information is as follows:

	For the period ended 30 June 2012 (unaudited)				For the period ended 30 June 2011 (unaudited)			
	Islamic financing and investing activities AED'000	**Property trading and investment activities AED'000**	**Other AED'000**	**Total AED'000**	Islamic financing and investing activities AED'000	Property trading and investment activities AED'000	Other AED'000	Total AED'000
Gross income	**304,403**	**1,360**	**-**	**305,763**	299,209	861	-	300,070
Allocable expenses	**(215,684)**	**(7,048)**	**-**	**(222,732)**	(204,812)	(7,979)	-	(212,791)
Depreciation	**(2,341)**	**-**	**-**	**(2,341)**	(2,813)	-	-	(2,813)
Segment result	**86,378**	**(5,688)**	**-**	**80,690**	91,584	(7,118)	-	84,466
Provision for impairment and litigation losses	**(34,800)**	**(9,250)**	**-**	**(44,050)**	(16,000)	(13,500)	-	(29,500)
Segment result after provision	**51,578**	**(14,938)**	**-**	**36,640**	75,584	(20,618)	-	54,966
Profit for the period				**36,640**				54,966

	As at 30 June 2012 (unaudited)				As at 31 December 2011 (audited)			
	AED'000	**AED'000**	**AED'000**	**AED'000**	AED'000	AED'000	AED'000	AED'000
Segment assets	**9,516,373**	**383,622**	**678,977**	**10,578,972**	9,405,814	389,153	233,045	10,028,012
Segment liabilities	**7,427,608**	**316,037**	**557,667**	**8,301,312**	7,203,941	313,322	218,229	7,735,492
Capital expenditure	**-**	**-**	**681**	**681**	-	-	369	369

No secondary segment information has been provided as currently the operations of the Group are concentrated primarily in the U.A.E.

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

12 Commitments

	30 June 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
Irrevocable commitments to extend credit	851,188	1,167,277

This represents contractual commitments to provide Islamic financing. Commitments generally have fixed expiry dates, or other termination clauses and normally require the payment of a fee. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

13 Contingencies

a) The Group's bankers have provided a guarantee of AED 50 million (31 December 2011: AED 50 million) favouring the U.A.E. Central Bank against the share capital.

b) The Group's bankers have also provided a guarantee of AED 5 million (31 December 2011: AED 5 million) to the Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.

c) The Group is engaged in certain litigation proceedings in the United Arab Emirates, involving claims by and against it, mainly in respect of certain sale and financing transactions. The Group is defending these cases and has been advised by its legal counsel that it is only possible, but not probable, that the action by counter parties will succeed. Accordingly, no provision for any liability has been made in these condensed consolidated financial statements. The Group has not disclosed the financial impact associated with these claims because it cannot reasonably be estimated.

14 Related party transactions

The Group enters into arms length transactions with shareholders, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates. All facilities to related parties are performing facilities and are free of any provision for possible impairment.

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

The significant balances and transactions of related parties included in the condensed consolidated financial statements are as follows:

Notes to the condensed consolidated financial statements for the period ended 30 June 2012 (continued)

14 Related party transactions (continued)

	For the period ended 30 June 2012 (unaudited)		For the period ended 30 June 2011 (unaudited)	
	Key management personnel AED'000	Major shareholders AED'000	Key management personnel AED'000	Major shareholders AED'000
Income from Islamic financing and investing activities	654	-	788	-
Income on mudaraba deposits and wakala investments	-	4,638	-	4,025
Commission and other income	-	6,250	-	5,250
Depositors'/investors' share of profit and related cost	-	27,676	-	25,139
General and administrative expenses	-	536	-	-

	As at 30 June 2012 (unaudited)		As at 31 December 2011 (audited)	
	Key management personnel AED'000	Major shareholders AED'000	Key management personnel AED'000	Major shareholders AED'000
Islamic financing and investing assets	27,047	-	27,666	-
Bank balances and cash	-	621,239	-	178,659
Advances, prepayments and other receivables	-	10,252	-	10,732
Financing obligations	-	1,250,000	-	1,550,000
Depositors'/investors' share of profit payable and related cost	-	139	-	2,415

The compensation paid to key management personnel of the Group is as follows:

	For the period ended 30 June 2012 (unaudited) AED'000	30 June 2011 (unaudited) AED'000
Short term employee benefits	2,881	2,708
Termination and other benefits	360	350
	3,241	3,058

15 Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 July 2012.