Amlak Finance PJSC

INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2006

ERNST & YOUNG

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

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

REVIEW REPORT TO THE BOARD OF DIRECTORS OF AMLAK FINANCE PJSC

We have reviewed the accompanying condensed balance sheet of Amlak Finance PJSC (the 'Company') as of 30 June 2006, the related statement of income for the three month and six month periods then ended, and the related statements of cash flows and changes in equity for the six month period then ended. These interim condensed financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

Ernst & Young

Signed by
Edward Quinlan
Partner
Registration No. 93

31 July 2006

Dubai, United Arab Emirates

Amlak Finance PJSC

INCOME STATEMENT

30 June 2006

	Note	*Six months ended 30 June* 2006 AED'000 Reviewed	*Six months ended 30 June* 2005 AED'000 Unaudited	*Three months ended 30 June* 2006 AED'000 Reviewed	*Three months ended 30 June* 2005 AED'000 Unaudited
Revenue					
Income from financing and investing assets		**114,465**	56,657	**59,777**	29,414
Processing fees		**16,808**	5,555	**8,107**	2,687
Gain on investments		**10,517**	9,923	**1,771**	4,677
Income on deposits		**13,838**	204	**7,054**	204
Other income		**18,058**	9,628	**12,908**	8,165
Share of profit of an associate		**8,850**	11,700	**4,191**	10,600
		182,536	93,667	**93,808**	55,747
General and administrative expenses					
Staff expenses		**(13,978)**	(8,464)	**(7,708)**	(4,043)
Depreciation		**(1,149)**	(955)	**(598)**	(477)
Other expenses		**(23,031)**	(12,160)	**(11,675)**	(7,681)
		(38,158)	(21,579)	**(19,981)**	(12,201)
Profit before investors' share of profit		**144,378**	72,038	**73,827**	43,546
Investors' share of profit on:					
Sukuk payable		**(20,868)**	-	**(10,986)**	-
Related party balances		**(8,793)**	(16,602)	**(4,431)**	(9,329)
Investment deposits		**(33,870)**	(4,959)	**(14,697)**	(3,135)
		(63,531)	(21,561)	**(30,114)**	(12,464)
Profit attributable to the Shareholders		**80,847**	50,527	**43,713**	31,082
Earnings per share (UAE Dirham)	3	**0.054**	0.036	**0.029**	0.022

The attached notes 1 to 4 form part of these interim condensed financial statements.

Amlak Finance PJSC

BALANCE SHEET

30 June 2006

	30 June 2006 AED'000 Reviewed	*31 December 2005 AED'000* Audited
ASSETS		
Balances and deposits with banks	**424,846**	749,070
Financing and investing assets, net	**3,498,460**	3,061,240
Investment in an associate	**13,137**	34,912
Other investments	**562,103**	589,120
Due from related parties	**26,536**	11,574
Fixed assets, net	**8,278**	6,913
Other assets	**94,018**	86,692
TOTAL ASSETS	**4,627,378**	4,539,521
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Sukuk payable	**734,400**	734,400
Investment deposits	**1,676,726**	1,635,519
Due to related parties	**370,375**	334,222
Accrued zakat	**6,242**	6,242
Other liabilities	**45,193**	43,910
	2,832,936	2,754,293
SHAREHOLDERS' EQUITY		
Share capital	**1,500,000**	1,500,000
Statutory reserve	**16,777**	16,777
General reserve	**16,777**	16,777
Cumulative changes in fair value	**60,434**	132,067
Retained earnings	**200,454**	119,607
	1,794,442	1,785,228
TOTAL LIABILITIES AND EQUITY	**4,627,378**	4,539,521

Chairman	**Director**	**Chief Executive Officer**
31 July 2006	**31 July 2006**	**31 July 2006**

The attached notes 1 to 4 form part of these interim condensed financial statements.

Amlak Finance PJSC

STATEMENT OF CASH FLOWS

30 June 2006

	Six months ended 30 June 2006 AED'000	*2005 AED'000*
OPERATING ACTIVITIES		
Profit attributable to the shareholders	**80,847**	50,527
Adjustments for:		
Depreciation	**1,149**	955
Share of profit of an associate	**(8,850)**	(11,700)
Gain on investments	**(10,517)**	(9,923)
Provision for impairment	**13,675**	6,355
Income from deposits	**(13,838)**	(204)
	62,466	36,010
Changes in operating assets and liabilities		
Bank deposits greater than three months	**(257,005)**	-
Financing and investing assets	**(450,895)**	(586,504)
Due from related parties	**(14,962)**	10,451
Other assets	**(7,326)**	(158,976)
Investment deposits	**41,207**	345,134
Due to related parties	**36,153**	377,726
Other liabilities	**1,283**	50
Net cash used in operating activities	**(589,079)**	23,891
INVESTING ACTIVITIES		
Dividend received from an associate	**30,625**	-
Dividend received from other investment	**1,414**	-
Purchase of other investments	**(53,204)**	(127,025)
Sale of other investments	**17,691**	-
Purchase of fixed assets	**(2,514)**	(888)
Income from deposits	**13,838**	204
Net cash used in investing activities	**7,850**	(127,709)
DECREASE IN CASH AND CASH EQUIVALENTS	**(581,229)**	(103,818)
Cash and cash equivalents at 1 January	**714,070**	187,858
CASH AND CASH EQUIVALENTS AT 30 JUNE	**132,841**	84,040

The attached notes 1 to 4 form part of these interim condensed financial statements.

Amlak Finance PJSC

STATEMENT CHANGES IN EQUITY

30 June 2006

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Cumulative changes in fair value AED'000*	*Retained earnings AED'000*	*Proposed dividends AED'000*	*Total AED'000*
Balance at 1 January 2006	**1,500,000**	**16,777**	**16,777**	**132,067**	**119,607**	**-**	**1,785,228**
Net movement in cumulative changes in fair value	-	-	-	(71,633)	-	-	(71,633)
Profit attributable to the shareholders	-	-	-	-	80,847	-	80,847
Total income and expense for the period	**-**	**-**	**-**	**(71,633)**	**80,847**	**-**	**9,214**
Balance at 30 June 2006	**1,500,000**	**16,777**	**16,777**	**60,434**	**200,454**	**-**	**1,794,442**
Balance at 1 January 2005	750,000	6,176	6,176	-	43,377	-	805,729
Net movement in cumulative changes in fair value	-	-	-	7,184	-	-	7,184
Profit attributable to the shareholders	-	-	-		50,527	-	50,527
Total income and expense for the period	-	-	-	7,184	50,527	-	50,527
Balance at 30 June 2005	750,000	6,176	6,176	7,184	93,904	-	863,440

Allocations to statutory and general reserve are made at the end of the year. Similarly, amounts are provided for zakat at the end of the year.

The attached notes 1 to 4 form part of these interim condensed financial statements.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2006

1- ACTIVITIES

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

At the constituent shareholders' meeting held on 9 March 2004, a resolution was passed to convert the Company to a public joint stock company. Further, a resolution was passed to transform the Company's activities to be in full compliance with the Islamic Sharia'a rules and principles. The process was completed on 1 June 2004. As a result, the Company transformed its conventional financing products into Islamic financing products during the five month period ended 31 May 2004 after negotiations and agreement with its customers.

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

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

2- ACCOUNTING POLICIES

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2005.

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 6 months ended 30 June 2006 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2006.

3- EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the shareholders for the period of AED 80,847 thousands (2005: AED 50,527 thousands) by the weighted average number of shares outstanding during the period of 1,500,000,000 of AED 1 each (2005: 1,391,696,751 of AED 1 each – 750,000,000 adjusted for rights issue in 2005).

4- COMMITMENTS

Credit-related commitments

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

The Company has the following credit related commitments:

	30 June 2006 AED'000	*31 December 2005 AED'000*
Irrevocable commitments to extend credit:		
Original term to maturity of more than one year	**725,119**	620,249

Other Commitments

The Company has issued guarantees on behalf of an associate amounting to AED 319,681 thousand (31 December 2005: AED 345,000 thousand).

At the period end, the Company was committed to purchase certain apartments for resale amounting to AED 34,954 thousand (31 December 2005: AED 20,964 thousand).