Tamweel PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2008

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAMWEEL PJSC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tamweel PJSC ("the Company") and its subsidiaries, (collectively "the Group") which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, cash flow statement and statement of changes in equity for the year ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Tamweel PJSC and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to notes 1 and 29 to the financial statements. Trading in the Company's shares on the Dubai Financial Market has been suspended following the announcement that the Company is in discussion with Amlak Finance PJSC and other entity that may lead to the establishment of a merged entity. The Board of Directors, along with the Steering Committee set up by the Ministry of Finance in connection with the proposed merger are evaluating various options to secure sustainable funding for the Group in order to enable it to continue to meet its commitments.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of the Group; proper books of account have been kept by the Group and the contents of the report of the Board of Directors relating to these financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of the Group have occurred during the year which would have had a material effect on the business of the Group or on its financial position.

Ernst & Young

Signed by
Naushad Anwar
Partner
Registration No. 489

22 February 2009

Dubai, United Arab Emirates

Tamweel PJSC and its Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	*2008 AED'000*	*2007 AED'000*
Income from Islamic financing and investing assets	6	**743,112**	340,208
Fees, commission and other income	7	**67,132**	303,731
Income from sale of properties held for sale	14	**428,968**	122,991
Income from sale of development property	8	**1,687**	8,479
OPERATING INCOME		**1,240,899**	775,409
General and administrative expenses	9	**(365,211)**	(131,840)
PROFIT BEFORE DEPOSITORS' SHARE OF PROFIT		**875,688**	643,569
Depositors' share of profit	10	**(415,023)**	(192,330)
PROFIT FOR THE YEAR		**460,665**	451,239
Earnings per share:			
Basic earnings per share (AED)	11	**0.46**	0.45
Diluted earnings per share (AED)	11	**0.46**	0.45

The attached notes 1 to 35 form part of these financial statements.

Tamweel PJSC and its Subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 AED'000	2007 AED'000
ASSETS			
Bank balances and cash	12	**352,304**	189,761
Advances, prepayments and other receivables	13	**202,908**	540,047
Properties held for sale	14	**672,702**	2,308,694
Investment properties	15	**39,610**	45,301
Other investments	16	**53,976**	70,338
Islamic financing and investing assets	17	**10,486,813**	5,323,547
Property and equipment	18	**65,068**	36,040
TOTAL ASSETS		**11,873,381**	8,513,728
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		**60,599**	27,682
Accounts payable, accruals and other liabilities	19	**922,452**	808,749
Financing obligations	20	**8,572,364**	5,631,329
Total liabilities		**9,555,415**	6,467,760
Equity			
Share capital	21	**1,000,000**	1,000,000
Employees' benefit plan	22	**(7,680)**	(9,577)
Statutory reserve	23	**182,547**	136,452
General reserve	24	**526,191**	480,124
Special reserve	25	**102,951**	52,290
Cumulative changes in fair value		**627**	365
Retained earnings		**444,488**	168,314
Convertible sukuk equity component	20	**69,534**	-
Translation reserve		**(692)**	-
Proposed dividend	26	**-**	218,000
Total equity		**2,317,966**	2,045,968
TOTAL LIABILITIES AND EQUITY		**11,873,381**	8,513,728

Chief Executive Officer

Chairman

The attached notes 1 to 35 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 AED'000	2007 AED'000
OPERATING ACTIVITIES			
Profit for the year		**460,665**	451,239
Adjustments for:			
Depreciation	18	**3,611**	3,118
Loss on sale of property and equipment		**27**	-
Amortisation of deferred cost	9	**8,211**	3,529
Provision for employees' end of service benefits		**2,728**	3,625
Provision for impairment on Islamic financing and investing assets		**72,935**	12,500
Change in fair value of investment properties	15	**5,691**	(2,239)
Provision for impairment on advances and receivables		**50,247**	-
Provision for impairment on available-for-sale investments		**920**	-
Depositors' share of profit	10	**415,023**	192,330
		1,020,058	664,102
Working capital changes:			
Islamic financing and investing assets		**(5,236,201)**	(2,752,302)
Financing obligations		**820,255**	4,400,569
Properties held for sale		**1,635,992**	(2,290,988)
Trading investments		**18,870**	(14,427)
Advances, prepayments and other receivables		**282,034**	(347,380)
Accounts payable, accruals and other liabilities		**77,363**	523,137
Cash (used in) from operations		**(1,381,629)**	182,711
Depositors' share of profit paid		**(380,781)**	(128,894)
Employees' end of service benefits paid		**(830)**	(1,884)
Dividend settled		**(218,000)**	(186,079)
Zakat paid		**(7,757)**	(3,090)
Net cash used in operating activities		**(1,988,997)**	(137,236)
INVESTING ACTIVITIES			
Additions to property and equipment	18	**(32,809)**	(7,678)
Held to maturity investments		**(3,166)**	(44,920)
Proceeds from sale of property and equipment		**143**	-
Net cash used in investing activities		**(35,832)**	(52,598)
FINANCING ACTIVITIES			
Proceeds from issuance of Sukuks		**2,190,314**	-
Directors' fees		**(2,250)**	(1,277)
Money received under the Employees' benefit plan		**-**	691
Net cash from (used in) financing activities		**2,188,064**	(586)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**163,235**	(190,420)
Translation reserve		**(692)**	-
Cash and cash equivalents at 1 January		**189,761**	380,181
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**352,304**	189,761

The attached notes 1 to 35 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital AED'000	*Employees' benefit plan AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Retained earnings AED'000*	*Convertible sukuk equity component AED'000*	*Translation reserve AED'000*	*Proposed dividends AED'000*	*Total AED'000*
Balance at 1 January 2007	1,000,000	(11,100)	91,305	435,000	25,837	208	78,329	-	-	200,000	1,819,579
Gain on available-for-sale investments recognised directly in equity	-	-	-	-	-	157	-	-	-	-	157
Total income for the year recognised directly in equity	-	-	-	-	-	157	-	-	-	-	157
Profit for the year	-	-	-	-	-	-	451,239	-	-	-	451,239
Total income for the year	-	-	-	-	-	157	451,239	-	-	-	451,396
Dividend settlement for 2006	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)
Zakat, net of reversals	-	-	-	-	-	-	(25,927)	-	-	-	(25,927)
Shares granted under employees' benefit plan, net (Note 22)	-	1,523	23	-	-	-	-	-	-	-	1,546
Cost of vested shares under employees' benefit plan	-	-	-	-	-	-	1,426	-	-	-	1,426
Directors' fees	-	-	-	-	-	-	(2,052)	-	-	-	(2,052)
Proposed dividend	-	-	-	-	-	-	(218,000)	-	-	218,000	-
Transfer to statutory reserve (Note 23)	-	-	45,124	-	-	-	(45,124)	-	-	-	-
Transfer to general reserve (Note 24)	-	-	-	45,124	-	-	(45,124)	-	-	-	-
Transfer to special reserve (Note 25)	-	-	-	-	26,453	-	(26,453)	-	-	-	-
Balance at 31 December 2007	1,000,000	(9,577)	136,452	480,124	52,290	365	168,314	-	-	218,000	2,045,968

The attached notes 1 to 35 form part of these financial statements.

Tamweel PJSC and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital AED'000	*Employees' benefit plan AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Retained earnings AED'000*	*Convertible sukuk equity component AED'000*	*Translation reserve AED'000*	*Proposed dividends AED'000*	*Total AED'000*
Balance at 1 January 2008	1,000,000	(9,577)	136,452	480,124	52,290	365	168,314	-	-	218,000	2,045,968
Gain on available-for-sale investments recognised directly in equity	-	-	-	-	-	262	-	-	-	-	262
Foreign exchange translation differences	-	-	-	-	-	-	-	-	(692)	-	(692)
Total income and expense for the year recognised directly in equity	-	-	-	-	-	262	-	-	(692)	-	(430)
Profit for the year	-	-	-	-	-	-	460,665	-	-	-	460,665
Total income and expense for the year	-	-	-	-	-	262	460,665	-	(692)	-	460,235
Dividend settlement for 2007	-	-	-	-	-	-	-	-	-	(218,000)	(218,000)
Zakat, net of reversals	-	-	-	-	-	-	(40,674)	-	-	-	(40,674)
Shares granted under employees' benefit plan (Note 22)	-	1,897	28	-	-	-	-	-	-	-	1,925
Cost of vested shares under employees' benefit plan	-	-	-	-	-	-	1,428	-	-	-	1,428
Directors' fees	-	-	-	-	-	-	(2,450)	-	-	-	(2,450)
Equity component of convertible sukuk	-	-	-	-	-	-	-	69,534	-	-	69,534
Transfer to statutory reserve (Note 23)	-	-	46,067	-	-	-	(46,067)	-	-	-	-
Transfer to general reserve (Note 24)	-	-	-	46,067	-	-	(46,067)	-	-	-	-
Transfer to special reserve (Note 25)	-	-	-	-	50,661	-	(50,661)	-	-	-	-
Balance at 31 December 2008	**1,000,000**	**(7,680)**	**182,547**	**526,191**	**102,951**	**627**	**444,488**	**69,534**	**(692)**	**-**	**2,317,966**

The attached notes 1 to 35 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2008

1 THE COMPANY AND ITS OPERATIONS

Tamweel PJSC (the "Company") was registered on 3 June 2006 as a Public Joint Stock Company in accordance with UAE Federal Law No (8) of 1984, as amended. The share capital of the Company comprises 1,000,000,000 shares of AED 1 each. Previously, the Company was operating as Tamweel LLC with a paid up share capital of AED 450 million (450,000 shares of AED 1,000 each).

The Company is licensed by the UAE 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 development and trading.

During the year, the Group obtained a license from the Real Estate Regulatory Authority, Dubai, United Arab Emirates to start Escrow Management Service operations and consequently, the Group started those operations during the current year.

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

The Group consists of Tamweel PJSC (the Parent Company) and its subsidiaries registered up to 31 December 2008.

Subsidiaries	*Beneficial ownership*		*Principal activity*	*Country of incorporation*
	31 December 2008	*31 December 2007*		
Tamweel Properties & Investments LLC	100%	-	Real estate development including construction, purchase, sale, rent, brokerage, agency and management services	UAE
Tamweel Egypt for Real Estate Finance S.A.E.	100%	-	Sharia compliant financing and investing activities	Egypt
Tamleek Egypt Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tahfeez Egypt Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tahfeez Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tahfeez Middle East Limited	100%	-	General trading	JAFZA, Dubai, UAE
Tamleek Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
Esham Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
Enjaz Saudi Arabia Limited	100%	-	General trading	JAFZA, Dubai, UAE
PF Holding Limited	100%	-	Sale and purchase of properties	JAFZA, Dubai, UAE
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%	100%	SPE for employees' benefit plan	British Virgin Islands

Except for the last three, the above subsidiaries have yet to commence commercial operations.

1 THE COMPANY AND ITS OPERATIONS (continued)

On 5 October 2008, the Group announced that Tamweel PJSC and Amlak Finance PJSC are at an early stage of discussions that could lead to the establishment of a merged entity subject to shareholders' approval and regulatory approvals. The discussions are still at the expression of interest stage, without any binding legal commitment.

In November 2008, The Ministry of Finance formed a Steering Committee to review, assess, liaise and provide advice to the Group and make recommendations to the State Minister for Financial Affairs in respect of the committee's findings with the objective to provide long term stability to the Company. The mismatch between the maturity of assets and liabilities is set out in note 29. The Committee has appointed various advisors (including accounting and legal firms and an investment bank) to assist the Committee in making recommendations which are expected to address the Company's ongoing liquidity in addition to its organisational structure.

Trading in the Company's shares has been suspended until the Steering Committee finalises its recommendations.

2 BASIS OF PREPARATION

Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Sharia'a rules and principles as determined by the Sharia'a Supervisory Board (the Board) of the Group and applicable requirements of United Arab Emirates laws.

Basis of consolidation
Subsidiary undertakings are those companies over which the Group exercises control.

The consolidated financial statements comprise the financial statements of Tamweel PJSC (the Company) and its subsidiaries listed in note 1 (collectively "the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

New accounting Standards and Interpretations
The Group has adopted the following new and amended IFRIC Interpretations during the year. Adoption of these revised Standards and Interpretations did not have any significant effect on the financial performance or position of the Group for the current year.

IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The principal effects of these new Standards are as follows.

IFRIC 11 IFRS 2 - Company and Treasury Share Transactions
This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

IFRIC 12 Service Concession Arrangements
This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements.

IFRIC 14 IAS19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*.

2 BASIS OF PREPARATION (continued)

IASB Standards and Interpretations issued but not adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group.

Amendments to IFRS 2 Share-based Payment
The IASB issued an amendment to IFRS 2 in January 2008 which becomes effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment is not expected to have any impact on the financial position or performance of the Group as it does not have transactions that this interpretation relates to.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
The revised Standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures.*

IFRS 8 Operating Segments
IFRS 8 *Operating Segments* was issued by the IASB in November 2006, becoming effective for periods commencing on or after 1 January 2009. The new Standard may require changes in the way the Group discloses information about its operating segments.

IAS 1 Revised Presentation of Financial Statements
The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The application of this standard will result in amendments to the presentation of the financial statements. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

IAS 23 Borrowing Costs
A revised IAS 23 *Borrowing Costs* was issued in March 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or portion in particular situations. It clarified that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group has concluded that the amendment will not have a significant impact on the financial position or performance of the Group as it has not entered into any such hedges.

2 BASIS OF PREPARATION (continued)

IASB Standards and Interpretations issued but not adopted (continued)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2009. The Interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Group the hedging instrument can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Group management has concluded that the interpretation is not expected to have any impact on the Group's financial position or performance as it has got no such instruments.

Improvements to IFRSs'

IFRS 7 Financial Instruments: Disclosures:
Removal of the reference to 'total interest income' as a component of finance costs.

IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:
Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

IAS 10 Events after the Reporting Period:
Clarification that dividends declared after the end of the reporting period are not obligations.

IAS 16 Property, Plant and Equipment:
Replace the term "net selling price" with "fair value less costs to sell".

IAS 18 Revenue:
Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

IAS 36 Impairment of Assets:
When discounted cash flows are used to estimate 'fair value less cost to sell additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use.

The application of the above standards and improvements to IFRSs' will result in amendments to the presentation of the financial statements including, in some cases, revisions to the accounting policies.

On 3 July 2008, International Accounting Standards Board issued IFRIC Interpretation 15 "Agreement for the Construction of Real Estate" (IFRIC 15) which will be effective for the year ending 31 December 2009. IFRIC 15 classifies when and how revenue and related costs from the sale of real estate should be recognized in the case of pre-completion sales. The interpretation will be applied retrospectively. The management is assessing the applicability of IFRIC 15 on the financial statements of the Group in the light of current and forthcoming legal pronouncements for transfer of risks and rewards of the ownership of real estate properties in the UAE.

Basis of measurement
The accompanying consolidated financial statements have been prepared under the 'historical cost convention' as modified by the measurement at fair value of investment properties, trading investments and available for sale investments.

The reporting currency of the Group is UAE Dirhams (AED) and these financial statements have been presented in thousands of AED.

3 SIGINIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which may have an effect on amounts recognised in the financial statements.

Transfer of equitable interest in properties
The Group has entered into a number of contracts with buyers for the sale of property units. Management has determined that equitable interest in such assets, and therefore risks and rewards of ownership, are transferred to the buyer once he is committed to complete the payment for the purchase. The commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progressive payments. The risk of the buyer being able to rescind the contract for the reasons stated in the contract is considered by management to be remote.

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

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

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

All other investments are classified as available-for-sale.

Use of estimates
The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenues, expenses, disclosure of contingent liabilities and the resultant provisions. Such estimates are necessarily based on assumptions about several factors and actual results may differ from reported amounts as described below:

Impairment losses on Islamic financing and investing assets
The Group reviews its Islamic financing and investing assets on a regular basis to assess whether a provision for impairment should be recorded in the income statement in relation to any non-performing assets. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

Collective impairment provisions on Islamic financing and investing assets
In addition to specific provisions against individually significant Islamic financing and investing assets, the Group also makes collective impairment provisions against facilities which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for facilities within each grade and is adjusted to reflect current economic changes.

Cost to complete properties under development
The Group estimates the cost to complete properties under development in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure activities, potential claims by sub contractors and all cost of meeting other contractual obligations to the customers.

Valuation of investment properties
The Group hires the service of third party valuers for obtaining estimates of the valuation of investment properties.

4 DEFINITIONS OF SIGNIFICANT TERMS

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

Sharia'a
Sharia'a is the body of Islamic law and is essentially derived from The Quran and The Sunna'h. The Group, being an Islamic Financial Institution, incorporates the principles of Sharia'a in its activities, as interpreted by its Sharia'a Supervisory Board.

Ijara
Ijara is an agreement whereby the Group buys an asset according to the customer's request and then leases it, in its capacity as a lessor, to the customer as lessee for a specified rental over a specific period. The duration of the lease term, as well as the basis for rental, are set and agreed in advance. The Group retains legal ownership of the asset throughout the arrangement. The arrangement could end by transferring the ownership of the asset to the lessee.

Istisna'a
Istisna'a is an agreement whereby the Group undertakes to construct, on behalf of the customer, a specific asset or property according to certain agreed upon specifications at a pre-determined price and for a fixed date of delivery. The work undertaken is not restricted to be accomplished by the Group alone and the whole or part of the construction can be undertaken by third parties under the Group's control and responsibility.

Murabaha
Murabaha is an agreement whereby the Group makes a sale to a customer of an asset that is acquired principally based on a promise received from the customer to buy the relevant asset according to the relevant specific terms and conditions. While making the sale, the Group expressly mentions the costs incurred on the asset that are sold and the profit thereon, to the customer.

Forward Ijara
Forward Ijara is an arrangement whereby the Group agrees to provide, on a specified future date, certain described property on lease to the customer upon its completion and delivery by the developer, from whom the Group has purchased the property. The lease rental under Forward Ijara commences only upon the customer having received possession of the property from the Group. The arrangement could end by transferring the ownership of the asset to the lessee.

Mudaraba
Mudaraba is an agreement in which the customer contributes capital and the Group applies its effort. The proportionate share of profit is determined by mutual agreement. The loss, if any, unless caused by negligence or violation of the terms of the agreement, is borne only by the owner of the capital in which case the Group gets nothing for its efforts. The fund provider is known as 'rab-al-mal' and the Group as 'mudareb'.

Wakala
An agreement whereby the Group provides a certain sum of money to an agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or percentage of the amount invested), further the agent is granted any excess over and above a certain pre agreed fee as a performance incentive. The agent is obliged to return the invested amount in case of default, negligence or violation of the terms and conditions of the Wakala.

Sukuk
These comprise asset based, Sharia'a compliant trust certificates.

5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements are as follows:

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

Ijara income
Ijara income is recognised on a time-apportioned basis over the lease term based on the fixed rental amount outstanding.

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

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

Forward Ijara income
Forward Ijara income during the construction period of the properties is accounted for on a time-apportioned basis over the construction period. Upon completion of the properties income is recognised on a time-apportioned basis over the period of the contract based on the fixed rental amount outstanding.

Sale of properties held for sale
Sale of properties held for sale is recognised on full accrual method 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;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed, if any, is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Sale of development property
Revenue on sale of development property is recognised on the basis of percentage of completion method 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 not eligible for a refund except for non-delivery of the unit. Management believes that the likelihood of the Group being unable to fulfil its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

Processing fees
Processing fees are recognised when applications for facilities are processed.

Other income
Income earned on deposits and wakala placements is recognised on a time proportion basis. All other income is recognised when the right to receive the income is established.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of sale of development property
Cost of sale of development 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 individual properties is based on the estimated proportion of the development cost incurred to date to the estimated total development cost for the project.

Cash and cash equivalents
For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

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. These assets are stated at cost net of provisions for impairment, if any.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Properties held for sale
Properties held for sale are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Cost comprises all costs of purchase and other directly attributable costs incurred in bringing each property to its location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less estimated costs necessary to be incurred on disposal.

Investments
Trading investments
These are initially recognised at cost and subsequently measured at fair value. All related realised and unrealised gains or losses are taken to the income statement. Profit earned or dividends received are included in other income.

Held to maturity
Securities which have fixed or determinable payments and are intended to be held to maturity, are carried at amortised cost using the effective profit method, less provision for impairment in value, if any.

Available -for-sale
Available-for-sale investments are recognised and derecognised, on a trade date basis, when the Group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the income statement for the year.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in progress is stated at cost and is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

Leasehold improvements	5 to 10 years
Office equipment	5 years
Furniture and fixtures	4 to 5 years
Software licenses and computer equipment	3 to 8 years
Networks and servers	3 to 4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Financial instruments
The Group recognises financial assets or financial liabilities only when the Group becomes a party to the contractual provisions of a financial instrument. On initial recognition, the financial assets and financial liabilities are measured at fair value plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial measurement, the financial assets are measured at fair value except for finances and receivables and held to maturity investments which are measured at amortised cost. Financial liabilities, after initial recognition, are measured at amortised cost.

Derecognition of financial assets and financial liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(a) the right to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

(c) either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Securitisation
The Group enters into securitisation transactions to finance specific finances and advances to customers. Both the securities in issue and the finances and advances to customers remain on the Group's balance sheet within the appropriate balance sheet headings unless:

i) a fully proportional share of all or of specifically identified cash flows have been transferred to the holders of the securities, in which case that proportion of the assets are derecognised;

ii) substantially all the risks and rewards associated with the assets have been transferred, in which case the assets are fully derecognised; or

iii) if a significant proportion of the risks and rewards have been transferred, the assets are recognised only to the extent of the Group's continuing involvement.

Zakat
Zakat is computed as per the Group's Articles and Memorandum of Association and is approved by the Group's Sharia'a Supervisory Board on the following basis:

- Zakat on shareholders' equity is computed as the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity as multiplied by 2.577%.
- 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.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Group has a present 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.

Employees' end-of-service benefits
For its national employees, the Group makes contributions to the pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are recognised in the income statement when due.

The Group 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 term of employment.

Employees' benefit plan shares
Employees' benefit plan shares consist of the Group's own shares that have been designated under Employee Stock Ownership Plan and not yet reissued or cancelled. These shares are accounted for using the cost method. Under the cost method, the average cost of the shares is shown as a deduction from total shareholders' equity.

Convertible Sukuk
Convertible Sukuk that can be settled at the option of the issuer are recorded as compound financial instruments. The equity component of the convertible sukuk is calculated as the excess of the issue proceeds over the present value of the future profit and principal payments, discounted at the market rate of profit applicable to similar liabilities that do not have a conversion option.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the awards are granted. The cost of equity-settled transactions with employees is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Foreign currencies
Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into Arab Emirates Dirhams at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the consolidated income statement.

Trade and settlement date accounting
All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Fair values
For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted securities fair value is determined by reference to brokers' quotes, recent transaction(s), the market value of similar securities, or based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

For investments in properties, fair value is determined periodically on the basis of independent professional valuations.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

6 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2008 *AED'000*	*2007* *AED'000*
Ijara	**302,205**	143,053
Murabaha	**35,661**	1,116
Istisna'a	**32,222**	37,118
Forward Ijara	**209,449**	66,822
Processing fees, other fees and commission income	**163,575**	92,099
	743,112	340,208

7 FEES, COMMISSION & OTHER INCOME

	2008 AED'000	*2007 AED'000*
Commission income on sale of properties	**15,435**	54,398
Agency fee (7.1)	**-**	193,016
Changes in fair value of investment properties (Note 15)	**(5,691)**	2,239
Changes in fair value of investments held for trading	**(18,870)**	18,339
Income on deposits and wakala placements	**49,116**	20,574
Others	**27,142**	15,165
	67,132	303,731

7.1 Agency fee represented a non-refundable fee received from a third party in respect of grant of exclusive rights to sell certain properties.

8 INCOME FROM SALE OF DEVELOPMENT PROPERTY

	2008 AED'000	*2007 AED'000*
Revenue from sale of development property	**21,708**	23,665
Cost of sale of development property	**(20,021)**	(15,186)
	1,687	8,479

9 GENERAL AND ADMINISTRATIVE EXPENSES

	2008 AED'000	*2007 AED'000*
Staff costs	**115,918**	68,711
Advertisement and sales promotion	**25,859**	14,304
Provision against Islamic financing and investing assets	**72,935**	12,500
Rent	**19,129**	5,585
Legal and professional charges	**8,068**	4,010
Amortization of deferred cost	**8,211**	3,529
Depreciation (Note 18)	**3,611**	3,118
Cost of vested shares under employees' benefit plan (Note 22)	**1,428**	1,426
Provision for impairment on advances and receivables	**50,247**	-
Costs for closure of international operations and other non recurring costs	**41,994**	-
Other expenses	**17,811**	18,657
	365,211	131,840

10 DEPOSITORS' SHARE OF PROFIT

	2008 AED'000	*2007 AED'000*
Financing obligations	**408,094**	189,705
Others	**6,929**	2,625
	415,023	192,330

11 EARNINGS PER SHARE – BASIC AND DILUTED

Earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

Basic earnings per share

	2008 AED'000	*2007 AED'000*
Profit for the year	**460,665**	451,239
Less: Directors remuneration	**(2,450)**	(2,052)
Profit for the year net of directors remuneration	**458,215**	449,187
	Number of shares '000	
Weighted average number of shares outstanding during the year	**1,000,000**	1,000,000
Basic earnings per share (AED)	**0.46**	0.45

Diluted earnings per share

	2008 AED'000	*2007 AED'000*
Profit for the year net of directors remuneration	**458,215**	449,187
Add: Profit on convertible Sukuk (Note 20)	**58,931**	-
	517,146	449,187
	Number of shares '000	
Weighted average number of shares outstanding during the year	**1,128,142**	1,000,000
Diluted earnings per share (AED)	**0.46**	0.45

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements for issuance.

12 BANK BALANCES AND CASH

	2008 AED'000	*2007 AED'000*
Bank balances	**352,246**	189,718
Cash in hand	**58**	43
	352,304	189,761

Almost all the bank balances are held with banks within the UAE, are profit generating and earn an average profit rate of 5% (2007: 5%).

13 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2008 AED'000	*2007 AED'000*
Receivables on sale of properties	**37,670**	132,346
Receivable on sale of development property	**69,513**	77,409
Advance for purchase of properties	**56,518**	9,099
Advance paid against properties financed	**11,559**	38,312
Commission receivable	**14,173**	17,606
Deferred cost	**22,349**	22,099
Prepaid expenses	**15,873**	9,635
Receivable under employees' benefit plan	**5,573**	5,505
Advance commission paid	**-**	27,352
Receivable against securitised assets	**-**	171,294
Others	**19,927**	29,390
	253,155	540,047
Less: Provision for impairment on advances and receivables	**(50,247)**	-
	202,908	540,047

14 PROPERTIES HELD FOR SALE

	2008 AED'000	*2007 AED'000*
Balance as at 1 January	**2,308,694**	17,706
Properties acquired	**518,782**	2,813,729
Cost of properties sold	**(2,154,774)**	(522,741)
	672,702	2,308,694

Properties held for sale are located within the UAE.

The income from sale of properties held for sale was as follows:

	2008 AED'000	*2007 AED'000*
Revenue on properties sold	**2,583,742**	645,732
Cost of properties sold	**(2,154,774)**	(522,741)
	428,968	122,991