Tamweel PJSC

FINANCIAL STATEMENTS

31 DECEMBER 2007

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAMWEEL PJSC

Report on the Financial Statements

We have audited the accompanying financial statements of Tamweel PJSC, which comprise the balance sheet as at 31 December 2007, and the income statement, cash flow statement and statement of changes in equity for the year then 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.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Tamweel PJSC as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Tamweel PJSC; proper books of account have been kept by Tamweel PJSC 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 Tamweel PJSC have occurred during the year which would have had a material effect on the business of Tamweel PJSC or on its financial position.

Signed by
Naushad Anwar
Partner
Registration No. 489

20 January 2008

Dubai, United Arab Emirates

INCOME STATEMENT

Year ended 31 December 2007

	Notes	*2007* *AED'000*	*2006* *AED'000*
Income from Islamic financing and investing assets	6	**311,463**	155,819
Commission and agency fees	7	**276,159**	16,430
Income from sale of properties held for sale		**122,991**	21,331
Income from sale of development property	8	**8,479**	45,616
Other income	9	**56,317**	29,315
OPERATING INCOME		**775,409**	268,511
General and administrative expenses	10	**(131,840)**	(54,471)
PROFIT BEFORE DEPOSITORS' SHARE OF PROFIT AND INCOME FROM IPO PROCEEDS		**643,569**	214,040
Depositors' share of profit	11	**(192,330)**	(61,269)
PROFIT BEFORE INCOME FROM IPO PROCEEDS		**451,239**	152,771
Income from IPO proceeds, net	12	**-**	699,050
PROFIT FOR THE YEAR		**451,239**	851,821
Attributable to:			
Shareholders of PJSC		**451,239**	824,399
Shareholders of LLC		**-**	27,422
		-	851,821
Earnings per share-basic and diluted (AED)	13	**0.45**	1.11

The attached notes 1 to 39 form part of these financial statements.

BALANCE SHEET

At 31 December 2007

	Notes	*2007* *AED'000*	*2006* *AED'000*
ASSETS			
Bank balances and cash	14	**189,761**	380,181
Advances, prepayments and other receivables	15	**647,055**	195,341
Properties held for sale	16	**2,308,694**	17,706
Investment properties	17	**45,301**	43,062
Other investments	18	**70,338**	10,834
Islamic financing and investing assets	19	**5,216,539**	2,583,745
Property and equipment	21	**36,040**	31,480
TOTAL ASSETS		**8,513,728**	3,262,349
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		**27,682**	4,845
Accounts payable, accruals and other liabilities	22	**808,749**	207,165
Financing obligations	23	**5,631,329**	1,230,760
Total liabilities		**6,467,760**	1,442,770
Equity			
Share capital	24	**1,000,000**	1,000,000
Employees' benefit plan	25	**(9,577)**	(11,100)
Statutory reserve	26	**136,452**	91,305
General reserve	27	**480,124**	435,000
Special reserve	28	**52,290**	25,837
Cumulative changes in fair value		**365**	208
Retained earnings		**168,314**	78,329
Proposed dividend	29	**218,000**	200,000
Total equity		**2,045,968**	1,819,579
TOTAL LIABILITIES AND EQUITY		**8,513,728**	3,262,349

Chief Executive Officer

Chairman

The attached notes 1 to 39 form part of these financial statements.

CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 AED'000	2006 AED'000
OPERATING ACTIVITIES			
Profit for the year		**451,239**	851,821
Adjustments for:			
Depreciation	21	**3,118**	2,572
Amortisation of deferred cost	10	**3,529**	-
Provision for employees' benefits		**3,625**	2,278
Provision against Islamic financing and investing assets		**12,500**	-
Income on deposits and wakala placements	9	**(20,574)**	(10,807)
Change in fair value of investment properties	17	**(2,239)**	(9,432)
Depositors' share of profit	11	**192,330**	61,269
		643,528	897,701
Working capital changes:			
Islamic financing and investing assets		**(2,645,294)**	(1,278,106)
Financing obligations		**4,400,569**	132,300
Properties held for sale		**(2,290,988)**	(17,706)
Trading investments		**(14,427)**	(6,472)
Advances, prepayments and other receivables		**(454,388)**	(83,453)
Accounts payable, accruals and other liabilities		**523,137**	119,689
Cash from (used in) operations		**162,137**	(236,047)
Depositors' share of profit paid		**(128,894)**	(54,786)
Employees' benefits paid		**(1,884)**	-
Dividend paid		**(186,079)**	-
Zakat paid		**(3,090)**	(510)
Income received on deposits and wakala placements		**20,574**	10,807
Net cash used in operating activities		**(137,236)**	(280,536)
INVESTING ACTIVITIES			
Additions to property and equipment	21	**(7,678)**	(16,168)
Other investments		**(44,920)**	-
Purchase of available-for-sale-investments		**-**	(3,124)
Purchase of investment properties		**-**	(33,630)
Net cash used in investing activities		**(52,598)**	(52,922)
FINANCING ACTIVITIES			
Issue of shares		**-**	550,000
Directors' fees		**(1,277)**	(725)
Money received under the Employees' benefit plan		**691**	2,353
Net cash (used in) from financing activities		**(586)**	551,628
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(190,420)**	218,170
Cash and cash equivalents at 1 January		**380,181**	162,011
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	**189,761**	380,181

The attached notes 1 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	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*	*Proposed dividends AED'000*	*Total AED'000*
Balance at 1 January 2006	450,000	-	6,019	-	-	-	-	52,434	508,453
Issue of shares	550,000	-	-	-	-	-	-	-	550,000
Shares received under the Employees' benefit plan (note 25)	-	(18,000)	-	-	-	-	-	-	(18,000)
Shares granted under the Employees' benefit plan (note 25)	-	6,900	104	-	-	-	-	-	7,004
Profit for the period till 2 June 2006	-	-	-	-	-	-	27,422	-	27,422
Zakat, net of reversals till 2 June 2006	-	-	-	-	-	-	1,089	-	1,089
Dividends settled	-	-	-	-	-	-	-	(52,434)	(52,434)
Dividends relating to profit till 2 June 2006 settled	-	-	-	-	-	-	(23,027)	-	(23,027)
Balance at 2 June 2006	1,000,000	(11,100)	6,123	-	-	-	5,484	-	1,000,507

The attached notes 1 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - continued

Year ended 31 December 2007

	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*	*Proposed dividends AED'000*	*Total AED'000*
Gain on available-for-sale investments recognised directly in equity	-	-	-	-	-	208	-	-	208
Total income for the period recognised directly in equity	-	-	-	-	-	208	-	-	208
Profit for the period from 3 June to 31 December 2006	-	-	-	-	-	-	824,399	-	824,399
Total income for the period	-	-	-	-	-	208	824,399	-	824,607
Zakat, net of reversals for the period from 3 June to 31 December 2006	-	-	-	-	-	-	(4,710)	-	(4,710)
Directors' fees	-	-	-	-	-	-	(825)	-	(825)
Proposed dividend	-	-	-	-	-	-	(200,000)	200,000	-
Transfer to statutory reserve (note 26)	-	-	85,182	-	-	-	(85,182)	-	-
Transfer to general reserve (note 27)	-	-	-	435,000	-	-	(435,000)	-	-
Transfer to special reserve (note 28)	-	-	-	-	25,837	-	(25,837)	-	-
Balance at 31 December 2006	1,000,000	(11,100)	91,305	435,000	25,837	208	78,329	200,000	1,819,579

The attached notes 1 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY - continued

Year ended 31 December 2007

	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*	*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 recognized directly in equity	-	-	-	-	-	157	-	-	157
Total income for the year recognised directly in equity	-	-	-	-	-	157	-	-	157
Net 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 25)	-	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 26)	-	-	45,124	-	-	-	(45,124)	-	-
Transfer to general reserve (note 27)	-	-	-	45,124	-	-	(45,124)	-	-
Transfer to special reserve (Note 28)	-	-	-	-	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 39 form part of these financial statements.

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, Forward Ijara, Murabaha, Istisna'a etc. 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 Company is also engaged in the business of property development and trading.

The head office of the Company is located at Business Avenue Building, P.O. Box 111555, Emirate of Dubai, UAE. The Company has one branch each in the Emirates of Dubai, Abu Dhabi and Sharjah.

2 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 Company and applicable requirements of United Arab Emirates laws.

Changes in accounting policies

Adoption of IFRS in current year
As of 1 January 2007, the Company adopted and applied the following new IASB standards and interpretations. Adoption of these standards and interpretations did not have any effect on the financial position of the Company. They did, however, give rise to the additional disclosures being included for the years ended 31 December 2007 and 31 December 2006. The principal effects of these changes are as follows:

Amendments to IAS 1 – Presentation of Financial Statements
These amendments require the Company to make new disclosures enabling the users of financial statements to understand the Company's objectives, policies and processes for managing capital. The new disclosures as shown in Note 33.

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are primarily shown in Note 32. While there has been no effect to the financial position or results, comparative information has been revised where needed.

IASB Standards and Interpretations issued but not adopted
The Company has not adopted the new accounting standards or interpretations that have been issued but are not yet effective. These standards and interpretations except for revised IAS 1, are not likely to have any significant impact on the financial statements of the Company in the period of their initial application.

The Company has not adopted the revised IAS 1 "Presentation of Financial Statements" which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the financial statements.

The Company has not adopted the revised IAS 23 "Borrowing costs" which will be effective for the year ending 31 December 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 Company 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.

2 STATEMENT OF COMPLIANCE (continued)

IFRS 8 Operating Segments
The application of IFRS 8 which will be effective for the year ending 31 December 2009 will result in amended and additional disclosures relating to operating segments.

3 BASIS OF MEASUREMENT

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

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

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 Company, being an Islamic Financial Institution, incorporates the essence of Sharia'a in its activities.

Ijara
Ijara is an agreement whereby the Company as a lessor buys an asset according to the customer's request and then leases it to the customer as lessee for a specified rental over a specific period. The duration of the lease, as well as the basis for rental, are set and agreed in advance. The Company 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 Company undertakes to construct 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 Company alone and the whole or part of the construction can be undertaken by third parties under the Company's control and responsibility.

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

Forward Ijara
Forward Ijara is an arrangement whereby the Company 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 Company has purchased the property. The lease rent under Forward Ijara commences only upon the customer having received possession of the property from the Company. 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 Company 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 Company gets nothing for its efforts. The financier is known as 'rab-al-mal' and the Company as 'mudareb'.

Wakala
An agreement whereby the Company 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). The agent is obliged to return the invested amount in case of default, negligence or violation of the terms and conditions of the Wakala.

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 Company 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 principal amount outstanding.

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

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

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 Company's receivable is not subject to future subordination;
- The Company 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 Company 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.

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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Islamic financing and investing assets
Islamic financing and investing assets include outstanding ijara principal 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 the 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 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 interest 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 Company 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 period.

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 such 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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
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 Company recognises financial assets or financial liabilities only when the Company 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 loans and receivables 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 Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company's continuing involvement in the asset.

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

Securitisation
The Company enters into securitisation transactions to finance specific loans and advances to customers. Both the debt securities in issue and the loans and advances to customers remain on the Company'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 debt 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 Company's continuing involvement.

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

- Zakat on shareholders' equity is computed as the aggregate of general and legal reserves, provision for doubtful debt, retained earnings 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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Company 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 Company makes contributions to the pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are recognised in the income statement when due.

The Company provides end-of-service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the term of employment.

Employees' benefit plan shares
Employees' benefit plan shares consist of the Company'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.

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 Company'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.

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 Company 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 Company intends to settle on a net basis.

Significant management judgements and estimates

Judgements
In the process of applying the Company'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.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Transfer of equitable interest in properties
The Company 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 which are dependent on the enactment of pending legislation 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, loans 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 Company has the intention and ability to hold these to maturity.

The Company 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 a 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 Company 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 realization costs.

Collective impairment provisions on Islamic financing and investing assets
In addition to specific provisions against individually significant Islamic financing and investing assets, the Company 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 Company 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 Company hires the service of third party values for obtaining estimates of the valuation of investment properties.

6 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	2007 ***AED'000***	*2006* *AED'000*
Ijara	**143,053**	89,900
Murabaha	**1,116**	5,528
Istisna'a	**37,118**	32,627
Forward Ijara	**66,822**	416
Processing and other fees	**63,354**	27,348
	311,463	155,819

7 COMMISSION AND AGENCY FEES

	2007 ***AED'000***	*2006* *AED'000*
Commission income on sale of properties	**83,143**	16,430
Agency fee (7.1)	**193,016**	-
	276,159	16,430

7.1 Agency fee represents 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

	2007 ***AED'000***	*2006* *AED'000*
Revenue from sale of development property	**23,665**	97,038
Cost of sale of development property	**(15,186)**	(51,422)
	8,479	45,616

9 OTHER INCOME

	2007 ***AED'000***	*2006* *AED'000*
Income arising on changes in fair value of investment properties (note 17)	**2,239**	9,432
Income on investments held for trading	**18,339**	1,312
Income on deposits and wakala placements	**20,574**	10,807
Others	**15,165**	7,764
	56,317	29,315

10 GENERAL AND ADMINISTRATIVE EXPENSES

	2007 AED'000	*2006 AED'000*
Staff costs	**68,711**	30,925
Advertisement and sales promotion	**14,304**	10,757
Provision against Islamic financing and investing assets	**12,500**	-
Takaful premium on under construction properties	**6,640**	-
Rent	**5,585**	3,445
Legal and professional charges	**4,010**	1,607
Amortization of deferred cost on securitisation (note 15)	**3,529**	-
Depreciation (note 21)	**3,118**	2,572
Cost for vested shares under Employees' benefit plan (note 25)	**1,426**	-
Other expenses	**12,017**	5,165
	131,840	54,471

11 DEPOSITORS' SHARE OF PROFIT

	2007 AED'000	*2006 AED'000*
Financing obligations	**189,705**	61,166
Others	**2,625**	103
	192,330	61,269

12 INCOME FROM IPO PROCEEDS, NET

This represents the income earned (net of related expenses) on investing the IPO subscriptions proceeds between the first day of public subscription (27 February 2006) and the date of incorporation of the Public Joint Stock Company (3 June 2006). This income is wholly attributable to the shareholders of Tamweel PJSC.

13 EARNINGS PER SHARE – BASIC AND DILUTED

	2007 AED'000	*2006 AED'000*
Profit for the year net of directors' remuneration of AED 2,052 thousand (2006: AED 825 thousand)	**449,187**	850,996
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**1,000,000,000**	769,452,055
Basic and diluted earnings per share (AED)	**0.45**	1.11

Basic earnings per share is calculated by dividing the profit attributable to equity holders, net of directors' remuneration, of the Company by the weighted average number of shares in issue during the year. Diluted earnings per share is the same as basic earnings per share as there are no potential ordinary shares outstanding which may have any dilutive effect.

14 BANK BALANCES AND CASH

	2007 ***AED'000***	*2006* *AED'000*
Bank balances	**189,718**	380,156
Cash in hand	**43**	25
	189,761	380,181

All the bank balances are profit bearing and carry an average profit rate of 5%.

15 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2007 ***AED'000***	*2006* *AED'000*
Receivable against securitised assets	**171,294**	-
Receivable on sale of properties	**132,346**	-
Accrued profit on Islamic financing and investing assets	**107,008**	47,163
Receivables on sale of development property	**77,409**	85,065
Advance paid against properties financed	**38,312**	-
Advance commission paid	**27,352**	-
Securitization cost deferred (15.1)	**22,099**	-
Commission receivable	**17,606**	5,538
Prepaid expenses	**9,635**	8,260
Advance for purchase of properties	**9,099**	30,217
Receivable under employees' benefit plan	**5,505**	4,650
Others	**29,390**	14,448
	647,055	195,341

15.1 Total cost incurred on securitisation in respect of certain financial assets (note 20) was AED 25,628 thousand out of which AED 3,529 thousand has been amortised during the year (note 10). The total cost is to be amortised over 36 months commencing July 2007.

16 PROPERTIES HELD FOR SALE

	2007 ***AED'000***	*2006* *AED'000*
Balance as at 1 January	**17,706**	-
Properties acquired	**2,813,729**	102,210
Cost of properties sold	(**522,741**)	(84,504)
Balance as at 31 December	**2,308,694**	17,706

17 INVESTMENT PROPERTIES

	2007 AED'000	*2006 AED'000*
Balance as at 1 January	**43,062**	-
Properties acquired	**-**	33,630
Changes in fair value	**2,239**	9,432
Balance as at 31 December	**45,301**	43,062

Investment properties are stated at fair value, which has been determined based on valuations performed by accredited independent valuers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards.

18 OTHER INVESTMENTS

	2007 AED'000	*2006 AED'000*
Trading:		
Quoted - equity	**23,103**	8,676
Available-for-sale:		
Quoted - mutual fund units (18.1)	**1,395**	1,238
Others (18.2)	**920**	920
	2,315	2,158
Held to maturity:		
Investments in Notes (18.3)	**38,846**	-
Profit accrued on Notes	**6,074**	-
	44,920	-
	70,338	10,834

(18.1) The fair value of investments in mutual fund units is based on the last bid price as published by the fund manager.

(18.2) Others represents advance against equity shares to be allotted.

(18.3) This represents the investment made in the notes issued by Tamweel Residential ABS CI (1) Ltd in Cayman Islands. The applicable profit rate ranges from 3.95% to 10% above LIBOR. The maturity of these Notes is the earlier of the year 2037 or the expiry of the securitised receivables.

19 ISLAMIC FINANCING AND INVESTING ASSETS

	2007 AED'000	*2006 AED'000*
Ijara	**2,393,202**	1,596,898
Gross Murabaha receivable	**228,046**	30,396
Less: Deferred profit	**(15,378)**	(7,030)
Net Murabaha receivable	**212,668**	23,366
Istisna'a	**802,418**	893,975
Forward Ijara	**1,820,751**	69,506
	5,229,039	2,583,745
Less: Allowance for impairment	**(12,500)**	-
	5,216,539	2,583,745

Allowance for impairment represents provision made during the year at 31 December 2007.

All the assets financed by the Company are only to individuals and are within the UAE.

20 SECURITISATION

In July 2007, the Company entered into a securitisation transaction in respect of certain of its financial assets. In this transaction, the assets, or interests in the assets, were transferred to a special purpose entity ("SPE") which then issued notes to third party investors.

The Company's financial assets qualify for derecognition as substantially all the risks and rewards of the assets have been transferred. The Company continues to recognise any retained interests in the securitisation vehicles. The details of the above securitisation are given below:

Securitisation Company	*Date of securitisation*	*Gross assets securitized*
Tamweel Residential ABS CI (1) Ltd.	July 25, 2007	AED 773,241 thousand

Identified assets amounting to AED 106,700 thousand have not been transferred either due to early settlement of assets or non-registration of related properties with Lands Department.

21 PROPERTY AND EQUIPMENT

	Leasehold improvements AED'000	*Office equipment AED'000*	*Furniture and fixtures AED'000*	*Software licenses and computer equipment AED'000*	*Network and server AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2007	1,994	891	2,288	5,791	1,262	24,088	36,314
Additions	641	186	802	1,618	289	4,142	7,678
At 31 December 2007	**2,635**	**1,077**	**3,090**	**7,409**	**1,551**	**28,230**	**43,992**
Depreciation:							
At 1 January 2007	364	329	1,192	2,541	408	-	4,834
Charge for the year	444	193	522	1,597	362	-	3,118
At 31 December 2007	**808**	**522**	**1,714**	**4,138**	**770**	**-**	**7,952**
Net book value:							
At 31 December 2007	**1,827**	**555**	**1,376**	**3,271**	**781**	**28,230**	**36,040**

	Leasehold Improvements AED'000	*Office equipment AED'000*	*Furniture and fixtures AED'000*	*Software licenses and computer equipment AED'000*	*Network and servers AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:							
At 1 January 2006	778	636	2,092	5,178	858	10,604	20,146
Additions	1,091	255	110	593	404	13,715	16,168
Transfer	125	-	86	20	-	(231)	-
At 31 December 2006	**1,994**	**891**	**2,288**	**5,791**	**1,262**	**24,088**	**36,314**
Depreciation:							
At 1 January 2006	102	177	761	1,099	123	-	2,262
Charge for the year	262	152	431	1,442	285	-	2,572
At 31 December 2006	**364**	**329**	**1,192**	**2,541**	**408**	**-**	**4,834**
Net book value:							
At 31 December 2006	**1,630**	**562**	**1,096**	**3,250**	**854**	**24,088**	**31,480**

22 ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2007 AED'000	*2006 AED'000*
Property purchase payables	**340,871**	-
Developers' payables	**141,515**	66,721
Advance receipts against sale of properties	**126,094**	-
Accrued depositors' share of profit	**90,672**	27,236
Payable against property development	**23,969**	-
Other liabilities	**22,337**	20,998
Accrued expenditure	**22,050**	50,784
Dividend payable	**13,921**	**-**
Accounts payable	**13,253**	27,674
Advisory and management fee	**11,000**	11,000
Employees' end of service benefits	**3,067**	2,752
	808,749	207,165

23 FINANCING OBLIGATIONS

	2007 AED'000	*2006 AED'000*
Mudaraba	**1,856,680**	1,037,300
Wakala	**3,765,649**	100,000
Others (Note 35)	**9,000**	93,460
	5,631,329	1,230,760

Mudarabas represent funds for investment in the Company's (Mudareb's) on-going real estate investment activities (the Project) on a mudaraba basis. Rab Al Mals agree to reward the Mudareb for profits earned by it in excess of a minimum return based on EIBOR determined at inception as an incentive/bonus for profitable, efficient and safe deployment of the Rab Al Mal's capital. All these obligations are short term to medium term.

Wakalas represent investment amounts received by the Company (Wakeel) from a customer (Muwakkil) for investment purposes to generate profits for the Muwakkil based on EIBOR. Any profit exceeding the expected profit after deduction of wakala fee is allowed to be kept by the Company as an incentive.

24 SHARE CAPITAL

	2007 AED'000	*2006 AED'000*
Authorised, issued and paid up 1,000,000,000 ordinary shares of AED 1 each (2006: 1,000,000,000 shares of AED 1 each)	**1,000,000**	1,000,000

25 EMPLOYEES' BENEFIT PLAN

On 26 February 2006, the Company established an Employee benefit plan to recognise and retain good performing key employees. The Plan gives the employee the right to purchase the Company's shares at an exercise price.

In accordance with an agreement between the shareholders of Tamweel LLC and the Company, the shareholders of Tamweel LLC agreed to transfer 18,000 shares of AED 1,000 each (equivalent to 18,000,000 shares of AED 1 each after the share split on conversion of the LLC into a PJSC) of the Company owned by them for the benefit of the Company's employees under this plan. These shares are held by two trustee companies. The cost of acquisition of these shares was AED 18 million at the rate of AED 1,000 per share of a nominal value of AED 1,000 each.

Out of the above shares, the Company granted 6,900 shares of AED 1,000 each (equivalent to 6,900,000 shares of AED 1 each after the share split on conversion of the LLC into a PJSC) during 2006 at AED 1,015 per share (AED 1.015 per share on split). These shares carry full dividend and voting rights. The fair value of these shares at the grant date was estimated at AED 7,003,500 at AED 1,015 per share (AED 1.015 per share on split).

During the year, the Company granted 1,934,000 shares at AED 1.015 per share which vest over a period of 36 months. The fair value of these shares at the grant date was estimated at AED 6,285,500 at AED 3.25 per share. Further, the Company forfeited 411,077 shares out of the shares granted in 2006. The remaining 9,577,077 shares of AED 1 each held under this scheme are held as plan shares by the trustees and will be granted in the future as and when the employees meet the pre-determined criteria. When granted to employees, the difference between the fair value of these shares on the grant date and amounts recovered from employees, if any, will be charged to the income statement. The fair value of these shares at 31 December 2007 is estimated at AED 64.74 million at the rate of AED 6.76 per share.

26 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. As per the Articles of Association, any amount in statutory reserve in excess of 50% of paid up capital can be distributed as dividends to the shareholders of the Company.

27 GENERAL RESERVE

As required by the Company's Articles of Association, 10% of the profit for the year is transferred to general reserve. As per the Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors or when this reserve reaches 50% of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors**.**

28 SPECIAL RESERVE

The special reserve, which has been created in accordance with the recommendations of the UAE Central Bank, is not available for distribution.

29 PROPOSED DIVIDENDS

The Board of Directors has proposed a cash dividend of AED 0.218 per share totalling AED 218 million (2006: AED 200 million), which is subject to the approval of the shareholders at the Annual General Meeting.

30 COMMITMENTS

		2007 AED'000	*2006 AED'000*
Irrevocable commitments to extend credit	30.1	**3,423,021**	1,415,780
Purchase of properties	30.2	**81,888**	671,083
Contribution to share capital	30.3	**429,769**	920
Property development	30.4	**10,581**	29,543
		3,945,259	2,117,326

30.1 This represents contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

30.2 This represents the commitment to purchase a property under the provisions of a Memorandum of Understanding.

30.3 This mainly represents commitment to subscribe to the share capital of companies under formation outside the UAE.

30.4 This represents contracts for capital expenditure outstanding at the balance sheet date.

31 CONTINGENCIES

a) The Company's bankers have provided a guarantee of AED 50 million (2006: AED 50 million) favouring the UAE Central Bank against the share capital.

b) The Company bankers have provided a guarantee of AED 5 million (2006: AED Nil) to Economic Affairs Division for establishing a subsidiary company.

32 RISK MANAGEMENT

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement, mitigation and monitoring subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and sustainability. The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

The major risks to which the Company is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in its attempt to build stakeholder's value are outlined below.

Risk Management Structure
Ultimate responsibility and accountability for the Company's risk management rests with the Board of Directors. The level of risk that the Company accepts, together with the basis for managing those risks, is driven from the top down by those charged with overall responsibility for running the business. However, separate independent bodies are entrusted with delegated risk management responsibilities.

The Board of Directors is responsible for the overall risk management approach and for designing and deciding the risk strategies, policies, appetite parameters, and principles.

32 RISK MANAGEMENT (continued)

Risk Management Structure (continued)
The Audit and Risk Management (ARM) Committee is responsible to the full Board for ensuring that the Company establishes and maintains an effective internal control system, reviewing the effectiveness of the internal audit function, and ensuring that appropriate controls are in place for monitoring compliance with laws, regulations, and supervisory requirements. ARM Committee supports the monitoring of the overall risk situation and the management's approaches to comprehensive risk identification and control. The Committee reviews the Company's risk profile to ensure that it is within the Board established risk policies and appetite parameters.

The Audit and Risk Management function, reporting to the Board, independently ensures that appropriate processes are in place for the identification, assessment, monitoring and mitigation of risks. Within the guidelines of the Board of Directors, it coordinates the development and implementation of the risk management framework and the execution of risk policies.

Management is responsible for executing the risk management strategy including the identification and evaluation on a continuous basis of all risks to the business and the implementation of appropriate mitigation strategies to contain them.

The Sharia Board is responsible to review the operational, financing and investing activities of the Company ensuring their alignment and compliance with The Quran and The Sunna'h. Being a supervisory board they are also required to audit the business activities undertaken and present an independent report to the shareholders.

The Credit Committee is entrusted with evaluating the Company's credit portfolio, approving financial commitments exceeding a defined limit on behalf of the Company, reviewing the delinquency provision policy in light of the credit risk embedded in the overall portfolio, assessing the Company's significant credit-based exposures and the steps management has taken to mitigate them, handling impaired assets, formulating credit policies and procedures, reporting exposures, and analyzing country and counterparty risks.

The Company has introduced a Risk Adjusted Pricing Model for lending following accredited Credit and Risk evaluation standards. The Credit Committee actively pursues the quality of the portfolio on a monthly basis using internationally acknowledged credit scoring system.

The Asset and Liability Committee (ALCO) is chiefly responsible for defining long-term strategic plans and short-term tactical initiatives for directing asset and liability allocations prudently for the achievement of the Company's strategic goals. ALCO monitors the Company's liquidity and market risks and the Company's risk profile in the context of economic developments and market fluctuations.

The Investment Committee oversees market risk embedded in all investment-related deals through its responsibility in setting an overall investment strategy and policy, reviewing and approving the investment proposals raised by the Investment Department, monitoring defined limits, and reviewing the performance of the company's investments within the risk-return guidelines set by the Board.

The Product Committee is responsible to ensure compliance with directives issued by the Sharia Board including changes in lending contracts, product parameters, etc.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive and up-to-date information necessary for their proper management and monitoring of risks inherent in the activities.

Types of Risk the Company is Subject to:

Concentration Risk
Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular nationality, industry or geographical location.

In order to avoid excessive concentration of risk, the Company's policies and procedures include specific guidelines to maintain a diversified portfolio. This is further enforced by the Credit Committee's oversight. Identified concentration of credit risks are controlled and managed accordingly.

32 RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Company. Such risk stems mainly from day to day Islamic financing activities undertaken by the Company. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated lending authorities, credit standards and procedures.

The Company attempts to control credit risk by monitoring credit exposures, maintaining credit limits, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company has built and maintains a sound credit portfolio within the guidelines of the Board approved Credit Policy. The Company has an established risk management process encompassing of credit approvals, control of exposures, credit policy direction to business units, well-designed credit appraisals, review of exposures both on an individual and a portfolio basis, and incorporation of robust problem credit management procedures. Special attention is directed towards the management of past-due financing assets through a dedicated Collection Team.

The Company enters in collateral arrangements with counterparties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the ownership of the financed property is maintained with the Company until the full-settlement of the monies due; thus, resulting in collateralization of amounts financed.

QUANTITATIVE INFORMATION

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross.

	Gross maximum exposure 2007 AED'000	*Gross maximum exposure 2006 AED'000*
Bank balances	**189,718**	380,156
Other investments	**70,338**	10,834
Advances, deposit and other receivables	**615,321**	187,081
Islamic financing and investing assets	**5,229,039**	2,583,745
Total	**6,104,416**	3,161,816
Irrevocable commitments to extend credit	**3,423,021**	1,415,780

For more details on the maximum exposure to credit risk for each class of financial instrument, references should be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

The Company's financial assets, before taking into account any collateral held or other credit enhancements are analysed by business segment in note 34.

32 RISK MANAGEMENT (continued)

QUANTITATIVE INFORMATION (continued)

The credit quality of financial assets is managed by the Company using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Company's credit rating system.

2007

	Neither past due nor impaired				
	High grade AED '000	***Standard grade AED '000***	***Sub-standard grade AED '000***	***Past due or individually impaired AED '000***	***Total AED '000***
Bank balances	**189,718**	**-**	**-**	**-**	**189,718**
Advances, deposits and other receivables	**308,862**	**306,459**	**-**	**-**	**615,321**
Other investments	**70,338**	**-**	**-**	**-**	**70,338**
Islamic financing and investing assets	**1,688,411**	**3,495,595**	**-**	**45,033**	**5,229,039**
Total	**2,257,329**	**3,802,054**	**-**	**45,033**	**6,104,416**

2006

	Neither past due nor impaired				
	High grade AED '000	*Standard grade AED '000*	*Sub-standard grade AED '000*	*Past due or individually impaired AED '000*	*Total AED '000*
Bank balances	380,156	-	-	-	380,156
Advances, deposits and other receivables	87,799	99,282	-	-	187,081
Other investments	10,834	-	-	-	10,834
Islamic financing and investing assets	865,012	1,694,813	-	23,920	2,583,745
Total	1,343,801	1,794,095	-	23,920	3,161,816

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

Aging analysis of past due but not impaired financial assets

	2007				
	Less than 30 days AED '000	***31 to 60 days AED '000***	***60 to 90 days AED '000***	***More than 91 Days AED '000***	***Total AED '000***
Islamic financing and investing assets	**31,066**	**6,133**	**4,180**	**3,654**	**45,033**
Total	**31,066**	**6,133**	**4,180**	**3,654**	**45,033**

32 RISK MANAGEMENT (continued)

Aging analysis of past due but not impaired financial assets (continued)

	2006				
	Less than 30 days AED '000	*31 to 60 days AED '000*	*60 to 90 days AED '000*	*More than 91 Days AED '000*	*Total AED '000*
Islamic financing and investing assets	15,545	2,990	4,520	865	23,920
Total	15,545	2,990	4,520	865	23,920

Collateral and other credit enhancements
The finance provided by the Company is completely asset backed in accordance with the principles of Shariah. Properties are funded based on "Company's Appraised Value". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Company might have lower rates than the developers based on the Company's view of the property. In case of older properties the appraised value is released by the Credit Department. These valuations are based on the valuation report from valuers, whenever required and the property prices witnessed in Tamweel's past funding transactions.

Property insurance is mandatory and the property is insured against all normal risks for the value stated in the sale agreement, or the valuation amount given by the surveyor, as the case maybe. The insured value is maintained at the original property value through the life of the finance.

Profit rate risk
Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. In the Company's financial statements, mainly two line items can lead to such exposure i.e. Islamic financing assets and financing obligations, as shown on the assets and liability sides respectively. The profit rate risk for the Company is minimal in the short term period.

The profit rate for financing assets is a composition of EIBOR and internal spread which cannot be expected to fluctuate frequently based on EIBOR movement. The Company reviews the profit rate on a monthly basis during its ALCO meeting and, if required, recommends rate change based on market conditions and competition.

The financing obligations, being short term, are contractually variable rate contracts as determined on contract initiation.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Company's income statement.

The sensitivity of the income statement is the effect of the assumed changes in profit rates on the net profit earned for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2007.

	2007	
Currency	***Increase/ (decrease) in basis points***	***Sensitivity of net returns AED 000's***
AED	**50bps**	**4,623**
AED	**(50bps)**	**(4,623)**

32 RISK MANAGEMENT (continued)

Profit rate risk(continued)

	2006	
	Increase/ (decrease) in basis points	*Sensitivity of net returns AED 000's*
AED	50bps	5,716
AED	(50bps)	(5,716)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All assets and liabilities as on 31 December 2007 are denominated in the UAE Dirham and therefore the Company is not exposed to any significant currency risk.

Equity price risk
Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Company's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2007) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices

	2007		*2006*	
	Change in equity price	***Effect on equity AED'000***	*Change in equity price*	*Effect on equity AED'000*
DFM	**+20%**	**4,620**	+20%	1,294
DFM	**-20%**	**(4,620)**	-20%	(1,294)

Prepayment risk
Prepayment risk is the risk that the Company will incur a financial loss because its counterparties repay earlier or later than expected.

The Company does not have any significant prepayments risk as the amount recovered in case of early settlement is more than the fair value of the asset on settlement date, by adding a settlement fees, and to recover amount on time and to avoid any delays. The collection team, supervised by Credit committee monitors the customer receivable position on a daily basis.

Operational risk
Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

32 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and off balance sheet items analysed according to when they are expected to be recovered, settled or sold under repurchase agreements.

	Within 1 month 2007 AED '000	*1 to 3 months 2007 AED '000*	*3 to 12 months 2007 AED '000*	*Subtotal less than 12 months 2007 AED '000*	*1-5 years 2007 AED '000*	*Over 5 years 2007 AED '000*	*Total 2007 AED '000*
ASSETS							
Bank balances and cash	**189,761**	**-**	**-**	**189,761**	**-**	**-**	**189,761**
Advances, prepayments and other receivables	**247,070**	**145,297**	**221,358**	**613,725**	**33,330**	**-**	**647,055**
Properties held for sale	**70,578**	**390,526**	**1,076,775**	**1,537,879**	**770,815**	**-**	**2,308,694**
Investment properties	**-**	**-**	**-**	**-**	**45,301**	**-**	**45,301**
Other investments	**-**	**25,875**	**-**	**25,875**	**44,463**	**-**	**70,338**
Islamic financing and investing assets	**68,461**	**987,471**	**1,427,949**	**2,483,881**	**957,728**	**1,774,930**	**5,216,539**
Property and equipment	**-**	**848**	**27,382**	**28,230**	**7,810**	**-**	**36,040**
Total assets	**575,870**	**1,550,017**	**2,753,464**	**4,879,351**	**1,859,447**	**1,774,930**	**8,513,728**
LIABILITIES							
Zakat payable	**12,761**	**-**	**14,921**	**27,682**	**-**	**-**	**27,682**
Accounts payable, accruals and other liabilities	**138,956**	**58,562**	**386,113**	**583,631**	**225,118**	**-**	**808,749**
Financing obligations	**920,000**	**578,000**	**3,674,329**	**5,172,329**	**459,000**	**-**	**5,631,329**
Total liabilities	**1,071,717**	**636,562**	**4,075,363**	**5,783,642**	**675,118**	**-**	**6,467,760**

32 RISK MANAGEMENT (continued)

Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and off balance sheet items analysed according to when they are expected to be recovered, settled or sold under repurchase agreements.

	Within 1 month 2006 AED'000	*1 to 3 months 2006 AED'000*	*3 to 12 months 2006 AED'000*	*Subtotal less than 12 months 2006 AED'000*	*1-5 years 2006 AED'000*	*Over 5 years 2006 AED'000*	*Total 2006 AED'000*
ASSETS							
Bank balances and cash	380,181	-	-	380,181	-	-	380,181
Advances, prepayments and other receivables	679	69,453	61,704	131,836	63,505	-	195,341
Properties held for sale	-	17,706	-	17,706	-	-	17,706
Investment properties	-	-	-	-	43,062	-	43,062
Other investments	-	6,472	-	6,472	4,362	-	10,834
Islamic financing and investing assets	19,215	76,858	512,307	608,380	692,315	1,283,050	2,583,745
Property and equipment	-	-	-	-	31,480	-	31,480
Total assets	400,075	170,489	574,011	1,144,575	834,724	1,283,050	3,262,349
LIABILITIES							
Zakat payable	-	4,845	-	4,845	-	-	4,845
Accounts payable, accruals and other liabilities	77,521	64,718	60,319	202,558	4,607	-	207,165
Financing obligations	517,300	100,000	520,000	1,137,300	93,460	-	1,230,760
Total liabilities	594,821	169,563	580,319	1,344,703	98,067	-	1,442,770

32 RISK MANAGEMENT (continued)

Contractual undiscounted repayment obligations

The maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations is as follows:

	Within 1 month 2007 AED'000	*1 to 3 months 2007 AED'000*	*3 to 12 months 2007 AED'000*	*Subtotal less than 12 months 2007 AED'000*	*1-5 years 2007 AED'000*	*Total 2007 AED'000*
2007						
Zakat payable	**12,761**	**-**	**14,921**	**27,682**	**-**	**27,682**
Accounts payable, accruals and other liabilities	**138,956**	**58,562**	**386,113**	**583,631**	**225,118**	**808,749**
Financing obligations	**953,325**	**591,455**	**3,770,022**	**5,314,802**	**514,769**	**5,829,571**
	1,105,042	**650,017**	**4,171,056**	**5,926,115**	**739,887**	**6,666,002**

	Within 1 month 2007 AED'000	*1 to 3 months 2007 AED'000*	*3 to 12 months 2007 AED'000*	*Subtotal less than 12 months 2007 AED'000*	*1-5 years 2007 AED'000*	*Total 2007 AED'000*
2006						
Zakat payable	-	4,845	-	4,845	-	4,845
Accounts payable, accruals and other liabilities	77,521	64,718	60,319	202,558	4,607	207,165
Financing obligations	535,395	101,552	554,578	1,191,525	93,460	1,284,985
	612,916	171,115	614,897	1,398,928	98,067	1,496,995

33 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006. Capital comprises share capital, statutory reserve, general reserve, special reserve, cumulative changes in fair value and retained earnings and is measured at AED 1,837,545 thousands as at 31 December 2007 (2006: AED 1,630,679 thousands).

34 SEGMENTAL INFORMATION

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

Islamic financing and investing activity	Principally handling Islamic financing and investing activities
Property development and investments	Principally involved in the development, purchase, sale of properties and related activities including commissions.

These segments are the basis on which the Company reports its segments information. Segmental information for the year ended **31 December 2007** as follows:

	Islamic financing and investing activities AED'000	*Property development and investments AED'000*	*Others AED'000*	*Total AED'000*
Gross income	**311,463**	**407,629**	**56,317**	**775,409**
General and administrative expenses	**(87,581)**	**(17,082)**	**(613)**	**(105,276)**
Depositors' share of profit	**(101,782)**	**(58,963)**	**(713)**	**(161,458)**
Segment result before provision	**122,100**	**331,584**	**54,991**	**508,675**
Provisions	**(12,500)**	**-**	**-**	**(12,500)**
Segment result after provision	**109,600**	**331,584**	**54,991**	**496,175**
Unallocated expenses				**(44,936)**
Profit for the year				**451,239**
OTHER INFORMATION				
Segment assets	**5,173,148**	**3,093,903**	**54,144**	**8,321,195**
Unallocated assets				**192,533**
Total assets				**8,513,728**
Segment liabilities	**2,821,309**	**2,702,087**	**18,553**	**5,541,949**
Unallocated liabilities				**925,811**
Total liabilities				**6,467,760**

34 SEGMENTAL INFORMATION (continued)

Segmental information for the year ended 31 December 2006 as follows:

	Islamic financing and investing activities AED'000	*Property development and investments AED'000*	*Others AED'000*	*Total AED'000*
Gross income	155,819	83,377	29,315	268,511
General and administrative expenses	(41,786)	(5,317)	-	(47,103)
Depositors' share of profit	(47,001)	(5,982)	-	(52,983)
Segment result before and after provisions	67,032	72,078	29,315	168,425
Income from IPO proceeds, net				699,050
Unallocated expenses				(15,654)
Profit for the year				851,821
OTHER INFORMATION				
Segment assets	2,620,724	261,129	192	2,882,045
Unallocated assets				380,304
Total assets				3,262,349
Segment liabilities	910,043	255,710	-	1,165,753
Unallocated liabilities				277,017
Total liabilities				1,442,770

No secondary segment information has been provided as the company operates only in the United Arab Emirates.

35 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the income statement are as follows:

	2007		*2006*	
	Key Management personnel AED'000	***Major shareholders AED'000***	*Key management personnel AED'000*	*Major shareholders AED'000*
Income from financing and investing activities	**293**	**-**	153	-
Depositors' share of profit	**-**	**21,884**	-	37,722
	293	**21,884**	153	37,722

35 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the balance sheet are as follows:

	2007		*2006*	
	Key Management personnel AED'000	***Major shareholders AED'000***	*Key Management personnel AED'000*	*Major shareholders AED'000*
Islamic financing and investing assets	**12,676**	**-**	10,873	-
Investment in property	**-**	**42,240**	-	-
Financing obligations (a)	**-**	**986,207**	-	490,760
Depositors' share of profit payable	**-**	**21,884**	-	13,451
Payable for property purchase	**-**	**8,642**	-	-

(a) Included in financing obligations is an amount of AED 9,000 thousand (2006: 93,460 thousand) payable to the shareholders of Tamweel LLC and represents the following:

	31 December 2007 AED'000	*31 December 2006 AED'000*
Dividends for the year ended 31 December 2005	**-**	52,434
Profit for the period 1 January 2006 to 2 June 2006 (net of statutory and general reserves)	**-**	23,026
Shares transferred to the Company for the employee benefit plan (note 23)	**9,000**	18,000
	9,000	93,460

Compensation of key management personnel is as follows:

	2007 AED'000	*2006 AED'000*
Short term employee benefits	**7,190**	3,638
Termination and other benefits	**2,014**	2,855
	9,204	6,493

36 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets include bank balances and cash, receivables, Islamic financing and investing assets and other investments. Financial liabilities include accounts payable, accruals and other liabilities and financing obligations.

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

37 FINANCIAL ASSETS AND LIABILITIES

31 December 2007

	Designated as trading or fair value through profit and loss AED'000	*Available for sale AED'000*	*Loans and receivables AED'000*	*Amortised cost AED'000*	*Total AED'000*
Financial Assets					
Other investments	23,103	2,314	-	44,921	70,338
Islamic financing and investing assets	-	-	5,229,039	-	5,229,039
Advances, deposits and other receivables	-	-	615,321	-	615,321
Bank balances	-	-	-	189,761	189,761
Total	**23,103**	**2,314**	**5,844,360**	**234,682**	**6,104,459**
Financial Liabilities					
Zakat payable	-	-	-	27,682	27,682
Accounts payable, accruals and other liabilities	-	-	-	808,749	808,749
Financing obligations	-	-	-	5,631,329	5,631,329
Total	**-**	**-**	**-**	**6,467,760**	**6,467,760**

31 December 2006

	Designated as trading or fair value through profit and loss AED'000	*Available for sale AED'000*	*Loans and receivables AED'000*	*Amortised cost AED'000*	*Total AED'000*
Financial Assets					
Other investments	8,676	2,158	-	-	10,834
Islamic financing and investing assets	-	-	2,583,745	-	2,583,745
Advances, deposits and other receivables	-	-	187,081	-	187,081
Bank balances	-	-	-	380,181	380,181
Total	8,676	2,158	2,770,826	380,181	3,161,841
Financial Liabilities					
Zakat payable	-	-	-	4,845	4,845
Accounts payable, accruals and other liabilities	-	-	-	207,165	207,165
Financing obligations	-	-	-	1,230,760	1,230,760
Total	-	-	-	1,442,770	1,442,770

38 CORRESPONDING FIGURES

Following corresponding figures have been rearranged and reclassified to improve the quality of information presented:

Item reclassified	From	To	Description	Amount
				AED'000
Processing and other fees	Other income	Income from Islamic financing and investing assets	Processing and other fees have been reclassified for better presentation.	27,348
Income from sale of properties	Other income	Income from sale of properties	Income from sale of properties has been disclosed as separate line item on the face of income statement for better presentation.	21,331
Commission income	Other income	Commission and agency fee	Commission income has been reclassified under commission and agency fee and disclosed as separate line item on the face of income statement for better presentation.	16,430

39 DATE OF AUTHORISATION

These accounts were approved for issue by the Board of Directors on 20 January 2008.