Amlak Finance PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2008 (UNAUDITED)

ERNST & YOUNG

P.O. Box 9267
28th Floor - Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates
Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai.uae@ae.ey.com
www.ey.com/me

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AMLAK FINANCE PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Amlak Finance PJSC and its subsidiaries (the 'Group') as at 30 September 2008, comprising the interim consolidated balance sheet as at 30 September 2008 and the related interim consolidated statements of income for the three-month and nine-month periods then ended, the related statements of cash flows and changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Signed by
Edward Quinlan
Partner
Registration No. 93

5 October 2008

Dubai, United Arab Emirates

INTERIM CONSOLIDATED INCOME STATEMENT

30 September 2008 (Unaudited)

	Notes	*Three months ended 30 September* 2008 AED'000	2007 AED'000	*Nine months ended 30 September* 2008 AED'000	2007 AED'000
Revenue					
Income from financing and investing assets		**269,631**	118,671	**599,960**	290,024
Processing and other fees		**35,385**	15,843	**81,710**	40,544
Gain on investments		**32,750**	1,160	**49,229**	46,993
Profit on sale of property held for trading		**4,890**	15,422	**27,817**	44,906
Profit on sale of property rights	9	**1,223**	-	**188,092**	-
Income on deposits		**2,750**	5,572	**3,821**	13,242
Other income		**(2,494)**	3,924	**10,420**	13,422
		344,135	160,592	**961,049**	449,131
General and administrative expenses		**(39,697)**	(26,493)	**(160,871)**	(94,616)
Share of (loss) profit of unconsolidated subsidiary and associates		**(4,238)**	3,310	**(29,496)**	4,762
Profit before distribution to depositors		**300,200**	137,409	**770,682**	359,277
Distribution to depositors		**(123,243)**	(70,506)	**(326,546)**	(186,703)
Profit for the period		**176,957**	66,903	**444,136**	172,574
Basic and diluted earnings per share (UAE Dirham)	10	**0.119**	0.045	**0.297**	0.115

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC

INTERIM CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Notes	*30 September 2008 AED'000 (Unaudited)*	*31 December 2007 AED'000 (Audited)*
ASSETS			
Cash and deposits with banks	3	**261,357**	495,843
Property rights	4	**800,687**	-
Properties held for trading	5	**3,609,236**	2,030,335
Financing and investing assets		**9,847,914**	6,227,400
Investments in unconsolidated subsidiary and associates	11	**457,565**	155,134
Available for sale investments	6	**176,256**	371,049
Other assets	7	**573,625**	165,185
Furniture, fixtures and office equipment		**22,008**	18,665
Total assets		**15,748,648**	9,463,611
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital		**1,500,000**	1,500,000
Employees' stock option plan shares	12	**(93,047)**	-
Statutory reserve		**60,105**	60,105
General reserve		**60,105**	60,105
Special reserve		**98,479**	62,274
Cumulative changes in fair value		**31,928**	78,678
Foreign currency translation reserve		**(4,424)**	824
Retained earnings		**639,614**	231,683
Proposed dividend		-	150,000
Total equity		**2,292,760**	2,143,669
Liabilities			
Bank overdraft	3	**300,831**	-
Sukuk payable		**493,879**	734,400
Investment deposits	8	**10,672,160**	5,265,543
Payable for properties held for trading		**1,417,016**	1,208,872
Accrued Zakat		**12,801**	14,793
Employees' end of service benefits		**2,729**	1,825
Dividend payable		**8,871**	-
Other liabilities		**547,601**	94,509
Total liabilities		**13,455,888**	7,319,942
TOTAL EQUITY AND LIABILITIES		**15,748,648**	9,463,611

Chairman
5 October 2008

Director
5 October 2008

Chief Executive Officer
5 October 2008

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Amlak Finance PJSC

INTERIM CONSOLIDATED CASH FLOW STATEMENT

30 September 2008 (Unaudited)

	Notes	*Nine months ended 30 September* 2008 AED'000	2007 AED'000
OPERATING ACTIVITIES			
Profit for the period		444,136	172,574
Adjustments for:			
Depreciation		4,556	2,977
Share of loss (profit) of associates		29,496	(4,762)
Profit on sale of subsidiary		(1,784)	-
Gain on sale of available for sale investments		(49,205)	(46,993)
Provision for available for sale investments		13,232	-
Provision for employees' end of service benefit		1,478	-
Dividend and sukuk income		(4,995)	(10,051)
		436,914	113,745
Working capital changes:			
Financing and investing assets		(3,620,514)	(1,100,450)
Properties held for trading		(1,578,901)	(481,788)
Property rights		(800,687)	-
Other assets		(340,656)	(90,832)
Investment deposits		5,406,617	1,639,893
Payable for properties held for trading		208,144	-
Other liabilities		453,092	197,693
		164,009	278,261
Employees' end of service benefit paid		(574)	-
Net cash from operating activities		163,435	278,261
INVESTING ACTIVITIES			
Increase in investments in associates		(265,927)	(70,229)
Purchase of available for sale investments		(175,328)	(190,026)
Proceeds from sale of available for sale investments		359,344	288,208
Acquisition of subsidiary		(132,000)	-
Payment of Zakat		(1,992)	(3,967)
Purchase of furniture, fixtures and office equipment		(7,899)	(4,662)
Dividend paid		(141,129)	-
Dividend and sukuk income received		4,995	10,051
Net cash (used in) from investing activities		(359,936)	29,375
FINANCING ACTIVITIES			
Repayment of Sukuk		(240,521)	-
Shares purchased for employees' stock option plan	12	(93,047)	-
Net cash used in financing activities		(333,568)	-
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(530,069)	307,636
Foreign exchange translation reserve		(5,248)	-
Cash and cash equivalents at the beginning of the period		495,843	268,228
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	(39,474)	575,864

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 September 2008 (Unaudited)

	Share capital AED '000	*Employees' stock option plan shares AED '000*	*Statutory reserve AED '000*	*General reserve AED '000*	*Special reserve AED '000*	*Cumulative changes in fair value AED '000*	*Foreign currency translation reserve AED '000*	*Retained earnings AED '000*	*Proposed dividend AED '000*	*Total AED '000*
At 1 January 2008	1,500,000	-	60,105	60,105	62,274	78,678	824	231,683	150,000	2,143,669
Realised gains on available for sale investments reclassified to income statement on disposal	-	-	-	-	-	(16,477)	-	-	-	(16,477)
Net unrealised loss on available for sale investments	-	-	-	-	-	(30,273)	-	-	-	(30,273)
Foreign currency translation	-	-	-	-	-	-	(5,248)	-	-	(5,248)
Total income and expense for the period recognised directly in equity	-	-	-	-	-	(46,750)	(5,248)	-	-	(51,998)
Profit for the period	-	-	-	-	-	-	-	444,136	-	444,136
Total income and expenses for the period	-	-	-	-	-	(46,750)	(5,248)	444,136	-	392,138
Transfer to special reserve	-	-	-	-	36,205	-	-	(36,205)	-	-
Shares purchased for employee stock option plan (note 12)	-	(93,047)	-	-	-	-	-	-	-	(93,047)
Transfer to dividend payable	-	-	-	-	-	-	-	-	(150,000)	(150,000)
Balance at 30 September 2008	**1,500,000**	**(93,047)**	**60,105**	**60,105**	**98,479**	**31,928**	**(4,424)**	**639,614**	**-**	**2,292,760**

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 September 2008 (Unaudited)

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Cumulative changes in fair value AED'000*	*Foreign currency translation reserve AED'000*	*Retained earnings AED'000*	*Proposed dividend AED'000*	*Total AED'000*
At 1 January 2007	1,500,000	29,819	29,819	-	(6,824)	-	215,950	-	1,768,764
Net movement in cumulative changes in fair value	-	-	-	-	19,594	-	-	-	19,594
Total income and expense for the period recognised directly in equity	-	-	-	-	19,594	-	-	-	19,594
Profit for the period	-	-	-	-	-	-	172,574	-	172,574
Total income and expenses for the period	-	-	-	-	19,594	-	172,574	-	192,168
Balance at 30 September 2007	1,500,000	29,819	29,819	-	12,770	-	388,524	-	1,960,932

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

1 ACTIVITIES

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

At the constituent shareholders' meeting held on 9 March 2004, a resolution was passed to convert the Company to a public joint stock company. Further, a resolution was passed to transform the Company's activities to be in full compliance with the Islamic Sharia'a rules and principles.

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

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

The Group consists of Amlak Finance PJSC and its following subsidiaries:

Company	*Basis for consolidation*	*Country of incorporation*	*Percentage Shareholding*	
			30 September 2008	*31 December 2007*
Amlak Finance & Real Estate Investment (S.A.E.)	Subsidiary	Egypt	**100%**	100%
Amlak International LLC – Dubai	Subsidiary	UAE	**100%**	100%
Amlak Holding FZCo	Subsidiary	UAE	**100%**	100%
Park Investment LLC ('Park')	SPV	UAE	**100%**	100%
Tasabeeh Investment LLC ('Tasabeeh')	SPV	UAE	**100%**	100%
Waraqaa Heights LLC ('Waraqaa')	SPV	UAE	**100%**	100%
Amlak Properties Services LLC (*)	Subsidiary	UAE	**100%**	-

(*) Amlak Properties Services LLC owns 30% of Landmark Properties LLC at 30 September 2008 (note 9).

On 5 October 2008, the Company announced that Amlak Finance PJSC and Tamweel PJSC have begun exploratory discussions for a possible merger of both entities subject to shareholders' and regulatory approval.

2 ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed financial statements of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2007. In addition to policies disclosed in the annual financial statements, the Group has adopted the following policy for accounting of property sale and purchase agreements.

The Group enters into forward contracts for the purchase of land or buildings. Such contracts are classified as property rights and are carried in the balance sheet at the lower of amounts paid for the purchase and net realisable value. Profit on the sale of such rights is recognised when the profit can be measured reliably and significant risks and rewards are transferred to the buyer.

When such sales are accompanied by deferred payment terms or ijarah financing, only the difference between the current cash sales price and the carrying amount of such properties is recognised as profit with the difference between the gross amount ultimately receivable and current cash sales price recognised on an effective yield basis.

The Group has also enhanced disclosures in these interim condensed consolidated financial statements as required by circular AA/KH/2637/2008 RN issued by the Securities and Commodities Authority. Such disclosures primarily relate to the investment activities of the Group, the classification of such activities, and related explanatory notes and accounting policies.

3 CASH AND CASH EQUIVALENTS

	30 September 2008 AED'000	*31 December 2007 AED'000*
Cash and deposit with banks	**261,357**	495,843
Bank overdraft	**(300,831)**	-
	(39,474)	495,843

4 PROPERTY RIGHTS

As at 30 September 2008, property rights are comprised of 4 plots of land located in the Emirate of Dubai. (31 December 2007 Nil).

5 PROPERTIES HELD FOR TRADING

As at 30 September 2008, properties held for trading are comprised of 54 plots of land located in the Emirate of Dubai (31 December 2007: 26 plots). Against such properties approximately AED 1.4 billion is payable to developers within 3 to 24 months from the balance sheet date.

Properties held for trading are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase and other directly attributable costs incurred in bringing each property to its present 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.

6 AVAILABLE FOR SALE INVESTMENTS

	UAE		*International*		*Total*	
	30 September 2008 AED '000	*31 December 2007 AED '000*	***30 September 2008 AED '000***	*31 December 2007 AED '000*	***30 September 2008 AED '000***	*31 December 2007 AED '000*
Equities (quoted)	42,246	70,522	14,462	34,878	56,708	105,400
Equities (unquoted)	15,300	103,873	87,327	40,741	102,627	144,614
Funds	-	31,933	69,841	128,792	69,841	160,725
	57,546	206,328	**171,630**	204,411	**229,176**	410,739
Provision for impairment of investment in unquoted equities	-	-	(52,920)	(39,690)	(52,920)	(39,690)
Net available for sale investments	**57,546**	206,328	**118,710**	164,721	**176,256**	371,049

(i) Quoted investments are carried at fair value determined by quoted market prices at the balance sheet date. Unquoted available for sale investments in equities and funds are carried at cost less provision for impairment, as the fair value cannot be reliably measured.

6 AVAILABLE FOR SALE INVESTMENTS (continued)

The movement in the provision for impairment of available for sale investments is as follows:

	30 September 2008 AED'000	*31 December 2007 AED'000*
Balance at the beginning of year	**39,690**	18,657
Additions during the period	**13,230**	21,033
	52,920	39,690

7 OTHER ASSETS

Other assets at 30 September 2008, includes AED 305 million receivable on sale of available for sale investments.

8 INVESTMENT DEPOSITS

	30 September 2008 AED'000	*31 December 2007 AED'000*
Banks and financial institutions	**7,214,522**	2,768,996
Government	**1,465,440**	990,000
Others	**1,992,198**	1,506,547
	10,672,160	5,265,543

Approximately 5.62% of investment deposits at 30 September 2008 are from international entities (31 December 2007: Nil)

9 RELATED PARTY TRANSACTIONS

i) Property rights

The Group sold the property rights for certain real-estate developments to a related party at a profit AED 186 million during the nine months ended 30 September 2008. Amount receivable of AED 244 million at 30 September 2008 from the related party in this respect is included in financing and investing assets.

ii) Increase in shareholding of subsidiary

On 31 August 2008 the Group purchased an additional 40% interest in Amlak Property Services LLC ("Amlak Properties") from a related party. This acquisition increased the Group's interest in Amlak Properties from 60% to 100% and no additional goodwill was recorded.

iii) Dilution of shareholding of subsidiary

On 6 April 2008 Amlak Properties acquired a 60 % interest in Landmark Properties LLC ("Landmark"). On 31 August 2008 Amlak Properties sold a 30% interest in Landmark to a related party for which an amount receivable of AED 67.7 million at 30 September 2008 is included in other assets. The carrying value of the remaining 30 % interest in Landmark on 30 September 2008 of AED 66.2 million is classified as investment in associates and includes goodwill of AED 60.8 million. The Group has provisionally recognized the values of net assets acquired. Adjustments to the provisional values will be finalized within twelve months of the initial acquisition date and recorded retrospectively as allowed by International Financial Reporting Standard 3; Business Combinations.

9 RELATED PARTY TRANSACTIONS (continued)

iv) Investment Deposits

Included in investment deposits at 30 September 2008 are amounts totaling AED 1.9 billion from related parties.

10 EARNINGS PER SHARE

Basic and diluted earnings per share

	Three months ended 30 September		*Nine months ended 30 September*	
	2008	*2007*	*2008*	*2007*
Profit for the period (AED 000's)	**176,957**	66,903	**444,136**	172,574
Weighted average number of shares outstanding during the period (in thousands)	**1,491,677**	1,500,000	**1,497,222**	1,500,000
Basic and diluted earnings per share (AED)	**0.119**	0.045	**0.297**	0.115

The Group has not issued any instruments which would have an impact on earnings per share when exercised.

11 INVESTMENTS IN UNCONSOLIDATED SUBSIDIARY AND ASSOCIATES

During the quarter ended 30 June 2008, the Group increased its ownership interest in an associate from 37.5 % to 57.5 %, the carrying value of the investment is AED 20 million at 30 September 2008. The subsidiary has not been consolidated, as the Group's management is currently pursuing the best possible courses of action towards realising the carrying value of the investment in full through a sale and expects to dispose of the investment within 12 months of its acquisition.

12 EMPLOYEE STOCK OPTION PLAN SHARES

During the quarter, the Group purchased 25 million of its shares, equivalent to 1.67% of the share capital. These shares are recorded in the balance sheet as employee stock option plan shares within equity, as the Group is planning to introduce such a plan. The market value of these shares as at 30 September 2008 is AED 3.28 per share.

13 COMMITMENTS AND CONTINGENCIES

Commitments

		Unaudited 30 September 2008 AED'000	*Audited 31 December 2007 AED'000*
Irrevocable commitments to extend credit	13.1	**2,981,841**	1,614,998
Commitments for additional payments for property rights	13.2	**1,964,073**	2,996,563
Contribution to share capital	13.3	**-**	296,363
		4,945,914	4,907,924

13 COMMITMENTS AND CONTINGENCIES (continued)

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

13.2 The Group has commitments on account of purchase price of property rights. The Group has to pay as and when calls are made by the developers in accordance with the purchase agreements.

13.3 The Group has commitments on account of uncalled capital of associates and other investees. The Group has to pay as and when calls are made by the investee companies.

At the extra-ordinary general meeting held on 16 March 2008, the shareholders approved the issuance of a convertible investment sukuk of AED 1.8 billion, and a non convertible investment sukuk of AED 3 billion.

Contingencies
The Group has issued guarantees on behalf of an associate amounting to AED 3.4 million (2007: AED 3.4 million).

14 SEGMENTAL INFORMATION

Primary segment information
The Group's revenues and expenses for each segment for the nine months ended 30 September are as follows:

	Islamic financing and investing activities AED'000	*Property transactions AED'000*	*Others AED'000*	*Total AED'000*
2008:				
Gross income	**681,670**	**215,909**	**33,974**	**931,553**
Allocated expenses	**(238,952)**	**(75,685)**	**(11,909)**	**(326,546)**
Segment results	**442,718**	**140,224**	**22,065**	**605,007**
Unallocated expenses				**(160,871)**
Profit for the period				**444,136**

	Islamic financing and investing activities AED'000	*Property transactions AED'000*	*Others AED'000*	*Total AED'000*
2007:				
Gross income	330,568	44,906	78,419	453,893
Allocated expenses	(135,975)	(18,472)	(32,257)	(186,704)
Segment results	194,593	26,434	46,162	267,189
Unallocated expenses				(94,615)
Profit for the period				172,574

15 SEASONALITY OF RESULTS

Other income includes dividend income of AED 4,995 thousand for nine month period ended 30 September 2008 and AED 2,008 thousand for nine month period ended 30 September 2007, which is of a seasonal nature.