EMAAR Properties PJSC and Subsidiaries

Consolidated Financial Statements
31 December 2006

9th Annual General Meeting

Directors' Report and Consolidated Financial Statements 2006

Contents

DIRECTORS' REPORT

The Board of Directors of EMAAR Properties PJSC and Subsidiaries (the 'Group') has pleasure in submitting the consolidated balance sheet of the Group as of 31 December 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended 31 December 2006.

Principal activities

The principal activities of the Group during the year ended 31 December 2006 were property investment and development, property management services, education, healthcare, hospitality and investment in providers of financial services.

Financial Results

The Group has reported a net profit of AED 6,371 million (2005: AED 4,731 million) representing a 35% increase over the previous year.

In accordance with the Articles of Association of the Company and UAE Federal Commercial Companies Law, an appropriation of AED 637 million is made to general reserve from the distributable profit of AED 6,371 million.

The transfer to legal reserve has been suspended as the reserve has reached 50% of the paid up capital.

The dividend will be proposed and approved at the forthcoming Annual General Meeting of the shareholders.

The balance of the distributable profit of AED 5,734 million (subject to finalization of the proposed dividend) will be transferred to retained earnings.

Total shareholders funds as at 31 December 2006 amount to AED 29,979 million (2005: AED 25,561 million).

Directors

H.E. Mohamed Ali Alabbar	(Chairman)
Mr. Hussain Al Qemzi	(Vice Chairman)
Mr. Ahmad Jamal Jawa	(Director)
Mr. Salem Rashed Al Mohannadi	(Director)
Mr. Mohammed Ibrahim Al Shaibani	(Director)
Dr. Lowai Mohamed Belhoul	(Director)
Mr. Majid Saif Al Ghurair	(Director)
Mr. Ahmed Thani Al Matrooshi	(Director)

Auditors

Ernst & Young were appointed as external auditors of the Group for the year ended 31 December 2006. Ernst & Young are eligible for reappointment for 2007 and have expressed their willingness to continue in office.

On behalf of the Board

Mohamed Ali Alabbar
Chairman
Dubai
8 February 2007

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC

Report on the Financial Statements

We have audited the accompanying financial statements of Emaar Properties PJSC and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated cash flow statement and consolidated 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 Emaar Properties 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 auditors' 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 controls. 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.

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AUDITORS' REPORT TO THE SHAREHOLDERS OF EMAAR PROPERTIES PJSC - continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, 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 Emaar Properties PJSC; proper books of account have been kept by Emaar Properties PJSC, an inventory was duly carried out 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 Emaar Properties PJSC have occurred during the year which would have had a material effect on the business of Emaar Properties PJSC or on its financial position.

Ernst & Young

Signed by
Edward B. Quinlan (Registration No. 93)
For Ernst & Young

Dubai, United Arab Emirates
8 February 2007

A Member of Ernst & Young Global

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

(US $ 1.00 = AED 3.673)

	Notes	**2006** AED'000	2005 AED'000
Revenue	4	**14,005,502**	8,361,362
Cost of revenue	4	**(7,039,372)**	(3,585,686)
GROSS PROFIT		**6,966,130**	4,775,676
Other operating income		**383,480**	247,572
Gain on disposal of interest in subsidiary	16	**4,854**	245,839
Selling, general and administration expenses	5	**(1,400,432)**	(1,021,752)
Other operating expenses		**(207,048)**	(66,012)
Finance costs		**(92,886)**	(26,288)
Finance income	6	**367,259**	352,386
Other income		**253,340**	122,486
Share of results from associated companies	16	**128,110**	99,145
PROFIT BEFORE TAX		**6,402,807**	4,729,052
Income tax expense	7	**(47,068)**	-
PROFIT FOR THE YEAR		**6,355,739**	4,729,052
ATTRIBUTABLE TO:			
Shareholders of the parent		**6,371,147**	4,731,231
Minority interest		**(15,408)**	(2,179)
		6,355,739	4,729,052
Earnings per share attributable to the shareholders of the parent:			
- Basic earnings per share	26	**AED 1.06**	AED 0.85
- Diluted earnings per share	26	**AED 1.05**	AED 0.84

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED BALANCE SHEET

At 31 December 2006

(US $ 1.00 = AED 3.673)

	Notes	**31 December 2006 AED'000**	31 December 2005 AED'000 (Restated)
ASSETS			
Bank balances and cash	8	**2,329,278**	10,368,009
Trade receivables	9	**600,925**	717,533
Other receivables, deposits and prepayments	11	**2,089,211**	1,928,369
Deposits for share capital of Emaar MGF	12	**1,469,200**	-
Development properties	13	**11,121,425**	3,025,750
Securities	14	**2,491,992**	3,602,868
Loans to associates	15	**427,555**	395,366
Investments in associates	16	**7,043,506**	3,366,772
Property, plant and equipment	17	**4,184,559**	1,875,558
Investment properties	18	**6,970,508**	6,924,507
Goodwill	10	**2,961,968**	-
TOTAL ASSETS		**41,690,127**	32,204,732
LIABILITIES AND EQUITY			
LIABILITIES			
Trade and other payables	19	**6,265,438**	5,527,575
Interest-bearing loans and borrowings	20	**3,992,210**	238,693
Retentions payable	21	**875,827**	733,121
Provision for employees' end-of-service benefits	22	**11,992**	9,035
TOTAL LIABILITIES		**11,145,467**	6,508,424
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	23	**6,075,553**	5,780,176
Employees' performance share program		**(2,927)**	(4,386)
Reserves	24	**14,669,084**	13,922,653
Retained earnings		**9,237,022**	5,862,479
		29,978,732	25,560,922
Minority interest		**565,928**	135,386
TOTAL EQUITY		**30,544,660**	25,696,308
TOTAL LIABILITIES AND EQUITY		**41,690,127**	32,204,732

The consolidated financial statements were authorised for issue on 8 February 2007 by:

Chairman

Director

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

(US $ 1.00 = AED 3.673)

	Notes	***2006 AED'000***	*2005 AED'000 (Restated)*
OPERATING ACTIVITIES			
Profit for the year		**6,355,739**	4,729,052
Adjustments for:			
Share of results of associated companies	16	**(128,110)**	(99,145)
Depreciation	5	**118,004**	98,956
Provision for employees' end-of-service benefits, net	22	**2,957**	1,551
Gain on disposal of subsidiary	16	**(4,854)**	(245,839)
Provision for income tax expense	7	**47,068**	-
Cost of share based payments	22	**18,751**	28,398
Gain on disposal of property, plant and equipment		**(352)**	(140)
Gain on disposal of securities		**(35,811)**	(1,601)
Cash from operations before working capital changes:		**6,373,392**	4,511,232
Trade receivables		**217,156**	38,648
Other receivables, deposits and prepayments		**(24,435)**	(1,002,493)
Development properties		**(3,869,745)**	(792,945)
Trade and other payables		**49,375**	3,196,689
Retentions payable	21	**142,706**	114,581
Income tax paid	7	**(6,243)**	-
Net cash from operating activities		**2,882,206**	6,065,712
INVESTING ACTIVITIES			
Purchase of securities		**(930,525)**	(1,346,562)
Proceeds from disposal of securities		**1,083,354**	1,814
Proceeds from disposal of subsidiary, net of cash & cash equivalents transferred		**558**	(150,805)
Consideration for acquisition of subsidiary net of cash & cash equivalents received	10	**(4,223,913)**	-
Additional investments in associates		**(3,387,889)**	(2,350,127)
Deposit for share capital subscription for Emaar MGF	12	**(1,469,200)**	-
Amounts incurred on investment properties	18	**(183,704)**	(263,343)
Purchase of property, plant and equipment	17	**(2,504,165)**	(1,481,870)
Proceeds from sale of property, plant and equipment		**2,751**	6,711
Deposits under lien or maturing after three months	8	**252,182**	(1,152,304)
Net cash used in investing activities		**(11,360,551)**	(6,736,486)

The attached notes 1 to 32 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT - continued

Year ended 31 December 2006

(US $ 1.00 = AED 3.673)

	Notes	**2006** AED'000	2005 AED'000 (Restated)
FINANCING ACTIVITIES			
Dividend paid	25	**(2,355,200)**	(340,328)
Funds invested by minority shareholders		**150,183**	134,880
Repayment to minority shareholders		**(155,418)**	-
Interest bearing loans and borrowings	20	**5,132,975**	-
Repayment of interest bearing loans and borrowings	20	**(3,566,986)**	(400,000)
Proceeds from rights issue	23	**1,476,886**	8,076,004
Received on vesting of share options	22	**1,459**	1,577
Net cash from financing activities		**683,899**	7,472,133
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(7,794,446)**	6,801,359
Net foreign exchange difference		**7,897**	419
Cash and cash equivalents at the beginning of the year	8	**9,035,705**	2,233,927
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	**1,249,156**	9,035,705

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

(US $ 1.00 = AED 3.673)

	Attributable to equity holders of the Parent						
	Share capital AED'000	*Employee performance share program AED'000*	*Reserves AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Minority interest AED'000*	*Total equity AED'000*
Balance at 1 January 2006	**5,780,176**	**(4,386)**	**13,922,653**	**5,862,479**	**25,560,922**	**135,386**	**25,696,308**
(Decrease) in unrealised gains/(losses) reserve (note 24)	-	-	(1,072,193)	-	(1,072,193)	-	(1,072,193)
Net income and expense recognised directly in equity	-	-	(1,072,193)	-	(1,072,193)	-	(1,072,193)
Profit for the year	-	-	-	6,371,147	6,371,147	(15,408)	6,355,739
Total income and expense for the year	**-**	**-**	**(1,072,193)**	**6,371,147**	**5,298,954**	**(15,408)**	**5,283,546**
Transfer to reserves	-	-	637,115	(637,115)	-	-	-
Directors' fees	-	-	-	(4,490)	(4,490)	-	(4,490)
Dividends – 2005 (note 25)	-	-	-	(2,373,750)	(2,373,750)	-	(2,373,750)
Issuance of shares under employees' performance share program (note 22)	-	1,459	-	-	1,459	-	1,459
Cost of share based payments (note 22)	-	-	-	18,751	18,751	-	18,751
Rights issue (note 23)	295,377	-	1,181,509	-	1,476,886	-	1,476,886
Additional capital contribution by minority shareholders	-	-	-	-	-	237,958	237,958
Acquisition/disposal of subsidiaries	-	-	-	-	-	363,410	363,410
Funds withdrawn by minority shareholders	-	-	-	-	-	(155,418)	(155,418)
Balance at 31 December 2006	**6,075,553**	**(2,927)**	**14,669,084**	**9,237,022**	**29,978,732**	**565,928**	**30,544,660**

The attached notes 1 to 32 form part of these financial statements.

EMAAR Properties PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued

Year ended 31 December 2006

	Attributable to equity holders of the Parent						
	Share capital AED'000	*Employee performance share program AED'000*	*Reserves AED'000*	*Retained earnings AED'000*	*Total AED'000*	*Minority interest AED'000*	*Total equity AED'000*
Balance as of 1 January 2005	**2,650,000**	**(5,963)**	**2,875,400**	**2,532,498**	**8,051,935**	**2,685**	**8,054,620**
Increase in unrealised gains reserve (note 24)	-	-	496,727	-	496,727	-	496,727
Net income and expenses recognised directly in equity	-	-	496,727	-	496,727	-	496,727
Profit for the year	-	-	-	4,731,231	4,731,231	(2,179)	4,729,052
Total income and expense for the year	**-**	**-**	**496,727**	**4,731,231**	**5,227,958**	**(2,179)**	**5,225,779**
Transfer to reserves	-	-	473,123	(473,123)	-	-	-
Directors' fees	-	-	-	(1,200)	(1,200)	-	(1,200)
Issue of bonus shares – 2004 dividend	185,500	-	-	(185,500)	-	-	-
Dividends – 2004	-	-	-	(344,500)	(344,500)	-	(344,500)
Issue of bonus shares – 2005 (note 23)	425,325	-	-	(425,325)	-	-	-
Issuance of shares under employees' performance share program (note 22)	-	1,577	-	-	1,577	-	1,577
Cost of share based payments (note 22)	-	-	-	28,398	28,398	-	28,398
Rights issue	2,519,351	-	10,077,403	-	12,596,754	-	12,596,754
Additional capital contribution by minority shareholders	-	-	-	-	-	134,880	134,880
Balance at 31 December 2005	**5,780,176**	**(4,386)**	**13,922,653**	**5,862,479**	**25,560,922**	**135,386**	**25,696,308**

The attached notes 1 to 32 form part of these financial statements.

1 DOMICILE AND ACTIVITIES

EMAAR Properties Public Joint Stock Company ("the Company" or "the Parent") was established as a public joint stock company by Ministerial Decree number 66 in the year 1997. The Company was established on 23 June 1997 and commenced operations on 29 July 1997. The Company and its subsidiaries constitute the Group ('the Group'). The Company's registered office is at P.O. Box 9440, Dubai, United Arab Emirates. The shares of the Company are traded on the Dubai Financial Market.

The principal activities of the Group are property investment and development, property management services, education, healthcare, hospitality and investments in providers of financial services.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of United Arab Emirates laws.

The consolidated financial statements have been presented in thousands of UAE Dirhams, which is the functional currency of the company.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of available-for-sale investments and derivatives.

Basis of consolidation

Subsidiary Companies

The consolidated financial statements comprise the financial statements of Emaar Properties PJSC and its subsidiaries drawn up to 31 December 2006. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets are eliminated in full. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interest represents the interest in subsidiary companies, not held by the Group.

Associated Companies

Associated companies are companies in which the Group has significant influence, but not control, over the financial and operating policies. In the consolidated financial statements, investments in associated companies are accounted using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associated companies are carried in the balance sheet at cost, plus post acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the results of its associates.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2005.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant impact on the amounts recognised in the financial statements.

Investment properties
The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Classification of investment properties
The Group has determined that serviced apartment buildings operated by the Group are to be classified as part of property, plant and equipment rather than investment properties.

Transfer of equitable interest in development properties
The Group has entered into a number of contracts with buyers for the sale of land, villas and condominium units. Management has determined that equitable interest in such assets and therefore risks and rewards of the ownership are transferred to the buyer once he is committed to complete the payment for the purchase. This commitment is evidenced by a signed contract for the purchase of the property and payments of sufficient progress payments. Based on this, the Group recognises revenues and profits as the acts to complete the property are performed.

Classification of equity investments
The Group invests in both quoted and unquoted equities. Management does not wish to account for short term unrealised gains or losses in the income statement and therefore has decided to classify such investments as "available for sale". Any short term unrealised gains or losses are treated as part of equity.

Estimation uncertainty

Costs to complete the projects
The Group estimates the cost to complete the projects 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 the cost of meeting other contractual obligations to the customers.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - continued

Valuation of investment properties
The Group hires the services of third party valuers to obtain estimates for the market value of investment properties for the purposes of their impairment review and disclosure in the financial statements.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

Sale of property
Revenue on sale of plots of land is recognised on the basis of the 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 (20% and above) to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property; and
- Work to be completed is both easily measurable and accrued or is not significant in relation to the overall value of the contract.

Revenue on sale of condominiums and villas is recognised on the basis of percentage completion as and when all of the following conditions are met:

- The buyer's investment, to the date of the financial statements, is adequate (20% and above) to demonstrate acommitment to pay for the property;
- Construction is beyond a preliminary stage. The engineering, design work, construction contract execution, site clearance and building foundation are finished;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit. Management believes that the likelihood of the Group being unable to fulfil its contractual obligations for this reason is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Lease to buy scheme
Sales under the lease to buy scheme are accounted as follows:

- Rental income during the period of lease is accounted for on a straight-line basis until such time the lessee exercises its option to purchase;
- When the lessee exercises its option to purchase, a sale is recognised in accordance with the revenue recognition policy for sale of property as stated above; and
- When recognising the sale, revenue is the amount which the lessee has to pay at the time of exercising the option to acquire the property.

Lease of investment property
Rental income from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Interest Revenue
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Services
Revenue from rendering of services is recognised when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

Cost of revenues

Cost of revenues includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of revenues in respect of condominiums and villas is based on the estimated proportion of the development cost incurred to date to the estimated total development costs for each project. The cost of revenues in respect of land sales is based on the total estimated cost of the land site over the total usable land area in a particular development.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income tax

Taxation is provided in accordance with the relevant fiscal regulations of the countries in which the Group operates.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to the tax payable in respect of prior years.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Cash and cash equivalents

For the purpose of the cash flow statement, 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.

Trade receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Loans and advances

Loans and advances are stated at amortised cost net of interest suspended and provisions for impairment. All loans and advances are recognised when cash is disbursed to borrowers.

Expenses incurred in making loans or advances are charged to the income statement in the year of disbursing these loans and advances.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Securities

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

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

Held- to- maturity investments
Held-to-maturity investments are financial assets with fixed payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Such investments are measured at amortised cost. When a held-to-maturity investment is determined to be impaired, the amount of the loss is included in the consolidated statement of income.

Development Properties

Properties acquired, constructed or in the course of construction for sale are classified as development properties. Unsold properties are stated at the lower of cost or net realisable value. Properties in the course of development for sale are stated at cost plus attributable profit/loss less progress billings. The cost of development properties includes the cost of land and other related expenditure which are capitalised as and when activities that are necessary to get the properties ready for sale are in progress. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed. At that stage, cost, attributable profit and progress billings are eliminated from development properties.

The Board of Directors reviews the carrying values of the development properties on an annual basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Leasehold improvements	2 years
Sales centres	1-5 years
Other buildings	10 - 25 years
Computers and office equipment	2 - 5 years
Networking, electrical & heavy equipment	3 - 20 years
Motor vehicles	3 - 5 years
Fixtures	2 - 10 years
Furniture and other assets	2 - 4 years

No depreciation is charged on capital work in progress. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

Expenditure incurred to replace a component of an item of property, plant 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, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Investment properties

Properties held for rental or capital appreciation purposes are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives as follows:

Buildings	25 - 35 years
Fixed furniture	10 years
Movable furniture	4 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Properties are transferred from investment properties to development properties when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. Such transfers are made at the carrying value of the properties at the date of transfer.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit form the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 Segment Reporting

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment

Property, plant and equipment and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Whenever the carrying amount of these assets exceeds their recoverable amount, an impairment loss is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have reduced.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Trade and other payables

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

End of service benefits

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

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Share based payment transactions

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

Under the company Programme, awards, which represent the right to purchase the Company's ordinary shares at par, will be allocated to eligible employees (including executive directors) of the Company.

Foreign currency translations

The consolidated financial statements are presented in UAE Dirhams (AED) which is the functional currency of the parent company. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of subsidiaries with functional currencies other than AED are translated into AED at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The differences arising on the translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognised in equity relating to that entity is recognised in the income statement.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

The fair value of forward foreign exchange contracts is calculated by reference to current forward exchange rates with the same maturity.

2.5 ADOPTION OF IFRSs DURING THE YEAR

IASB Standards and Interpretations issued but not adopted

The Group has not adopted the new accounting standards or interpretations that have been issued but are not yet effective. The application of IFRS 7 which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. Other standards and interpretations issued but not yet adopted are not likely to have any significant impact on the financial statements of the Group in the period of their initial application.

3 SEGMENT INFORMATION

Business segment:

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

The real estate segment develops and sells condominiums, villas and plots of land. Other segments include businesses that individually do not meet the criteria for a reportable segment as per IAS 14. These businesses are property management services, education, healthcare, hospitality and investment in providers of financial services.

Income from sources other than the real estate segment is included in other operating income.

Geographic segments:

The Group is currently developing a number of international business opportunities outside the United Arab Emirates that will have a significant impact in future periods. During the year, the group has also acquired a 100% holding in W L Homes LLC, an unlisted limited liability company in the United States of America, Hamptons Group Limited, an unlisted limited liability company in United Kingdom and Raffles Campus Pte Ltd, an unlisted limited liability company in Singapore (note 10).

The domestic segment includes business activity and operations in the UAE and the international segment includes business activity and operations outside the UAE.

3 **SEGMENT INFORMATION** – continued

Business Segments

The following tables represent revenue and profit information and certain asset and liability information regarding business segments for the years ended 31 December 2006 and 2005.

2006:

	Real estate AED'000	*Others AED'000*	*Eliminations AED'000*	*Total AED'000*
Revenue				
Sales to external customers	14,005,502	-	-	14,005,502
Total revenue	14,005,502	-	-	14,005,502
Results				
Profit before tax, finance costs, finance income, share of profit from associates and gain on disposal of subsidiaries	6,039,558	(44,088)	-	5,995,470
Assets and liabilities				
Segment assets	39,576,260	3,755,036	(1,641,169)	41,690,127
Segment liabilities	10,805,259	1,388,769	(1,048,561)	11,145,467
Other segment information				
Capital expenditure (Property, plant and equipment)	1,655,062	849,103	-	2,504,165
Depreciation (Property, plant and equipment)	65,116	30,324	-	95,440

3 SEGMENT INFORMATION – continued

Business Segments – continued

2005:

	Real estate *AED'000*	*Others* *AED'000*	*Eliminations* *AED'000*	*Total* *AED'000*
Revenue				
Sales to external customers	8,361,362	-	-	8,361,362
Total revenue	8,361,362	-	-	8,361,362
Results				
Profit before tax, finance costs, finance income, share of profit from associates and gain on disposal of subsidiaries	4,028,351	31,121	(1,502)	4,057,970
Assets and liabilities				
Segment assets	32,306,648	1,457,127	(1,559,043)	32,204,732
Segment liabilities	7,444,781	401,488	(1,337,845)	6,508,424
Other segment information - restated				
Capital expenditure (Property, plant and equipment)	1,389,870	92,000	-	1,481,870
Depreciation (Property, plant and equipment)	65,564	17,846	-	83,410

3 SEGMENT INFORMATION – continued

Geographic Segments

The following tables represent revenue and profit information and certain asset and liability information regarding geographic segments for the years ended 31 December 2006 and 2005.

2006:

	Domestic AED'000	*International AED'000*	*Total AED'000*
Revenue			
Sales to external customers	11,015,221	2,990,281	14,005,502
Total revenue	11,015,221	2,990,281	14,005,502
Assets			
Segment assets	22,047,659	12,598,962	34,646,621
Investment in associates	1,395,417	5,648,089	7,043,506
Total assets	**23,443,076**	**18,247,051**	**41,690,127**
Other segment information			
Capital expenditure (Property, plant and equipment)	2,276,352	227,813	2,504,165

2005:

	Domestic AED'000	*International AED'000*	*Total AED'000*
Revenue			
Sales to external customers	8,361,362	-	8,361,362
Total revenue	8,361,362	-	8,361,362
Assets			
Segment assets	27,137,908	1,700,052	28,837,960
Investment in associates	780,139	2,586,633	3,366,772
Total assets	27,918,047	4,286,685	32,204,732
Other segment information			
Capital expenditure (Property, plant and equipment)	1,335,730	146,140	1,481,870

4 REVENUE AND COST OF REVENUE

	2006	*2005*
	AED'000	*AED'000*
Revenue:		
Sale of plots of land and condominiums	**8,154,487**	4,082,713
Sale of villas	**5,240,730**	4,153,059
Sale of commercial units	**410,918**	-
Rental income	**199,367**	125,590
	14,005,502	8,361,362
Cost of revenue:		
Cost of plots of land and condominiums	**3,527,651**	1,603,951
Cost of villas	**3,368,313**	1,963,549
Cost of commercial units	**130,575**	-
Operating cost of leased properties	**12,833**	18,186
	7,039,372	3,585,686

5 SELLING, GENERAL AND ADMINISTRATION EXPENSES

	2006	*2005*
	AED'000	*AED'000*
Depreciation of property, plant and equipment (Note 17)	**95,440**	83,410
Depreciation of investment properties (Note 18)	**22,564**	15,546
Payroll and related expenses	**507,452**	269,455
Sales and marketing expenses	**396,631**	279,497
Contribution to educational and other charitable funds	**55,499**	108,595
Property management expenses	**47,793**	47,928
Other expenses	**275,053**	217,321
	1,400,432	1,021,752

6 FINANCE INCOME

	2006	*2005*
	AED'000	*AED'000*
Finance income on fixed deposits with banks	**217,227**	193,366
Other finance income	**150,032**	159,020
	367,259	352,386

7 INCOME TAX

	2006 AED'000	2005 AED'000
Income statement:		
Current income tax:		
Current income tax expenses	**47,068**	-
Current Liabilities:		
Current year	**47,068**	-
Prior years	**14,852**	-
Less: paid during the year	**(6,243)**	-
	55,677	-

The tax expense relates to the tax payable on the profit earned by the subsidiaries, as adjusted in accordance with the taxation laws and regulations of the countries in which the Group operates.

The prior year tax liability relates to the tax liability of acquired entities existing at the time of acquisition.

	2006 AED'000	2005 AED'000
The relationship between the tax expense and the accounting profit can be explained as follows:		
Accounting profit before tax	**6,402,802**	4,729,052
At the UAE applicable tax rate of 0%	**-**	-
Effect of higher tax rates in other jurisdictions	**47,068**	-
At the effective income tax rate of 0.7% (2005- 0%)	**47,068**	-

The income tax charge arises primarily from the Group's operations in the United States of America and the United Kingdom.

8 BANK BALANCES AND CASH

	2006 AED'000	2005 AED'000
Cash in hand	**1,267**	607
Current and Call deposit accounts	**537,599**	513,784
Fixed deposits and certificates of deposits maturing within three months	**710,290**	8,521,314
Cash and cash equivalents	**1,249,156**	9,035,705
Fixed deposits under lien (Note 20 and 27)	**808,672**	-
Fixed deposits and certificate of deposits maturing after three months	**271,450**	1,332,304
	2,329,278	10,368,009

Cash at banks earns interest at floating rates based on prevailing bank deposit rates. Short term fixed deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Long term fixed deposits have a maturity of between three and twelve months and earn interest at rates between 5.60% and 5.75% (2005: between 4.35% and 5.70%).

9 TRADE RECEIVABLES

	2006	*2005*
	AED'000	*AED'000*
Amounts receivable within 12 months	**600,925**	717,533

10 BUSINESS COMBINATIONS

The Group has undertaken a number of acquisitions during the year. If these acquisitions had taken place at the beginning of the year, the Group profit after tax for the year would have been AED 6,577,160 thousands and revenue from continuing operations would have been AED 16,058,097 thousands.

The total goodwill arising from the acquisitions during the year is AED 2,961,968 thousands. This goodwill has been allocated to cash generating units representing the individual entities acquired and has been tested for impairment using a value in use model. The calculation of value in use is sensitive to the following assumptions:

Gross margins – Gross margins are based on the expectations of management based on past experience and expectation of future market conditions.

Discount rates – Discount rates reflect management's estimate of the risks specific to each unit. The discount rate is based on the risk free rate of the investment's country, market risk premium related to the industry and individual unit related risk premium / discount. This is the benchmark used by management to assess performance and to evaluate future investment proposals. Management estimates that such discount rate to be used for evaluation of the investment should be between 10% and 11%.

Growth rate estimates – Management of each unit prepares a five year budget based on their expectations of future results, thereafter a growth rate of 1% is assumed.

Acquisition of WL Homes LLC

On 1 June 2006 (the acquisition date), the Group acquired 100 % of the voting shares of WL Homes LLC, an unlisted limited liability company headquartered in Newport Beach, California, United States of America. WL Homes LLC is a residential home builder having business in California and Colorado. The consolidated financial statements include the results of WL Homes LLC for the seven month period from the acquisition date.

The fair values of the identifiable assets and liabilities of WL Homes LLC as at the date of acquisition were:

	Recognised on acquisition AED'000	***Carrying value AED'000***
Bank balances and cash	303,265	303,265
Development properties	3,941,401	3,718,303
Other receivables, deposits and prepayments	49,204	49,204
Investment in associates	214,249	202,122
Loans to associates	53,589	53,589
Fixed assets	21,032	21,032
	4,582,740	4,347,515

10 BUSINESS COMBINATIONS - continued

Acquisition of WL Homes LLC - continued

	Recognised on acquisition AED'000	***Carrying value AED'000***
Trade and other payables	553,155	553,155
Loans from financial institutions	2,166,986	2,166,986
Minority interest	365,651	365,651
	3,085,792	3,085,792
Net assets acquired	1,496,948	1,261,723
Goodwill arising on acquisition	2,522,577	
Total acquisition cost	4,019,525	

The total acquisition cost of AED 4,019,525 thousands was paid in cash.

The above represents the final purchase price allocation. Upon finalisation of the allocation, the initially reported purchase consideration was reduced by AED 8,356 thousands in accordance with the sale and purchase agreement.

	2006 AED'000
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	303,265
Acquisition cost paid in cash	(4,019,525)
Net cash outflow	(3,716,260)

From the date of acquisition, WL Homes LLC has contributed AED 175,144 thousands of profit (net of tax provision and increased cost of sales due to fair value adjustment to development properties at the time of acquisition) to the Group.

10 BUSINESS COMBINATIONS - continued

Acquisition of Hamptons Group Limited

On 24 August 2006 (the acquisition date), the Group acquired 100 % of the voting shares of Hamptons Group Limited ("Hamptons"), an unlisted limited liability company headquartered in London, United Kingdom (UK). Hamptons is a realtor and property management consultant in UK. The consolidated financial statements include the results of Hamptons from the acquisition date.

The fair value of the identifiable assets and liabilities of Hamptons as at the date of acquisition were:

	Recognised on acquisition AED'000	***Carrying value AED'000***
Bank balances and cash	65,118	65,118
Trade receivables	117,764	117,764
Investment in associates and joint ventures	7,405	7,405
Fixed assets	52,210	52,210
	242,497	242,497
Trade and other payables	85,903	85,903
Loans from financial institutions	20,542	20,542
Minority interest	2,894	2,894
	109,339	109,339
Net assets acquired	133,158	133,158
Goodwill arising on acquisition	427,724	
Total acquisition cost	560,882	

The total acquisition cost of AED 560,882 thousands was paid in cash.

The above represents the final purchase price allocation. Upon finalisation of the allocation, the initially reported purchase consideration was increased by AED 2,417 thousands in accordance with the sale and purchase agreement.

	2006 AED'000
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	65,118
Acquisition cost paid in cash	(560,882)
Net cash outflow	(495,764)

10 BUSINESS COMBINATIONS - continued

Acquisition of Raffles Campus Pte Ltd

During the year, the Group acquired 100% of the voting shares of Raffles Campus Pte Limited ("Raffles"), an unlisted limited liability company headquartered in Singapore. Raffles is an education provider in Singapore. The consolidated financial statements include the results of Raffles from the date of acquisition.

The fair values of the identifiable assets and liabilities of Raffle Campus Pte Limited as at the date of acquisition were:-

	Recognised on acquisition AED'000	***Carrying value AED'000***
Bank balances and cash	5,037	5,037
Trade receivables	86	86
Other receivables, deposits and prepayments	1,801	1,801
Fixed assets	1,029	1,029
	7,953	7,953
Trade and other payables	2,076	2,076
Minority interest	618	618
	2,694	2,694
Net assets acquired	5,259	5,259
Goodwill arising on acquisition	11,667	
Total acquisition cost	16,926	

The total acquisition cost of AED 16,926 thousands was paid in cash.

	2006 AED'000
Cash outflow on acquisition:	
Net cash acquired with the subsidiary	5,037
Acquisition cost paid in cash	(16,926)
Net cash outflow	(11,889)

The goodwill recognised above is attributable to the expected synergies and other benefits from combining assets and activities of the above acquired entities with those of the Group. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

11 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2006	2005
	AED'000	*AED'000*
Receivables on sale of interest in a subsidiary/assets	**-**	736,795
Advances to contractors	**881,151**	502,002
Advances for acquisition of a leasehold interest	**617,191**	-
Deposits for acquisition of land	**98,000**	427,974
Recoverable from minority shareholders	**87,775**	-
Accrued interest on bank deposits and investments	**57,916**	54,613
Recoverable from National Housing Programme	**52,175**	-
Other deposits and receivables	**42,717**	62,248
Prepayments	**39,657**	13,295
Receivables from service companies	**36,498**	56,153
Other recoverables	**176,131**	75,289
	2,089,211	1,928,369

12 DEPOSIT FOR SHARE CAPITAL OF EMAAR MGF

The group has advanced AED 1,469,200 thousands as a deposit to subscribe for additional shares of Emaar MGF Land (Pvt.) Ltd. in India (2005: Nil). Subsequent to the balance sheet date, the shares were allotted to the Group.

13 DEVELOPMENT PROPERTIES

	2006	2005
	AED'000	*AED'000*
Cost to date	**13,044,601**	9,015,944
Add: attributable profit	**5,126,116**	6,504,829
Less: progress billings	**(7,049,292)**	(12,495,023)
Total development properties	**11,121,425**	3,025,750

14 SECURITIES

	2006 AED'000	2005 AED'000
Held-to-maturity	**973,345**	1,555,760
Available-for-sale	**1,518,647**	2,047,108
	2,491,992	3,602,868

Held to maturity securities represent investments with local and international financial institutions which have a fixed lifespan and fixed payments.

Available-for-sale securities include fund investments managed by an external fund manager. All available for sale fund investments are in quoted securities.

15 LOANS TO ASSOCIATES

	2006 AED'000	2005 AED'000
Amounts owing by Amlak Finance PJSC	**250,487**	241,901
Amounts owing by Prestige Resorts SA	**70,000**	70,000
Amounts owing by Amelkis Resorts SA	**54,256**	53,926
Amounts owing by Al Shamiya Lettatweer Al Omrani Company (KSA)	**27,491**	27,440
Amounts owing by other associates	**25,321**	2,099
	427,555	395,366

The amounts owing by Amlak Finance PJSC are unsecured and earn a return@LIBOR plus 120 basis points (2005: LIBOR plus 120 basis points). Other amounts are non-interest bearing.

16 INVESTMENTS IN ASSOCIATES

	2006 AED'000	2005 AED'000
Carrying value of:		
Investment in Emaar The Economic City (Saudi joint stock company) - quoted	**2,638,440**	-
Investment in Emaar MGF Land Private Limited (India)	**1,811,503**	1,837,601
Investment in Amlak Finance PJSC – quoted	**865,571**	864,421
Investment in Emaar Misr for Development S.A (Egypt)	**682,370**	265,493
Investment in Turner International Middle East Ltd.	**203,201**	-
Investment in Dubai Bank PJSC	**191,875**	165,760
Investment in Dead Sea Company for Tourist and Real Estate Investment (Jordan)	**137,978**	-
Investment in Emaar Industries and Investment (Pvt) JSC	**111,518**	101,918
Investment in Al Shamiyah Al Lettatweer Al Omarani Company (KSA)	**96,543**	96,543
Investment in other associates	**304,507**	35,036
	7,043,506	3,366,772

The market value of the shares held in Amlak Finance PJSC as at 31 December 2006 is AED 3,696,778 thousand (2005: AED 7,537,086 thousands).

The market value of the shares held in Emaar The Economic City as at 31 December 2006 is AED 4,296,837 thousand (2005: AED Nil)

16 INVESTMENTS IN ASSOCIATES - continued

The Group has the following investments in associates:-

	Country of incorporation	*Ownership* **2006**	*Ownership 2005*
Emaar MGF Land Private Limited	India	**39.71%**	40.4%
Emaar The Economic City (Saudi Joint Stock Company)	KSA	**31.76%**	-
Amlak Finance PJSC	UAE	**48.08%**	48.08%
Dubai Bank PJSC	UAE	**30%**	30%
Emaar Industries and Investments (Pvt) JSC	UAE	**40%**	40%
Al Shamiyah Al Lettatweer Al Omarani Company (no control or Board representation)	KSA	**70%**	70%
Emaar Misr for Development S.A	Egypt	**40%**	40%
Emaar Financial Services LLC	UAE	**37.5%**	37.5%
Prestige Resorts-S.A.	Morocco	**50%**	50%
Amelkis Resorts SA	Morocco	**50%**	50%
Emrill Services LLC	UAE	**33.33%**	-
Turner International Middle East Ltd.	UAE	**50%**	-
Dead Sea Company for Tourist and Real Estate Investment	Jordan	**37.20%**	-

In addition, the Group's US subsidiary, WL Homes enters into joint ventures with capital partners and institutional lenders to undertake specific housing projects in the United States.

The following table summarises information of the Group's investments in associates:

	2006 AED'000	*2005 AED'000 (restated)*
Share of associates' balance sheets:		
Current assets	**6,111,969**	1,989,188
Non-current assets	**5,426,380**	3,092,738
Total assets	**11,538,349**	5,081,926
Current liabilities	**3,363,035**	2,192,094
Non-current liabilities	**2,213,705**	598,099
Total liabilities	**5,576,740**	2,790,193
Net assets	**5,961,609**	2,291,733
Goodwill	**1,081,897**	1,075,039
	7,043,506	3,366,772
Share of associates' revenues and results:		
Revenues	**644,035**	198,829
Results	**128,110**	99,145

16 INVESTMENTS IN ASSOCIATES - continued

Disposal of Interest in Emrill Services LLC

The Group has disposed of 17.67% of its investment in its subsidiary Emrill Services LLC with effect from 26 November 2006. The Group is deemed to have lost effective control from that date. The operating results of Emrill Services LLC prior to the disposal were as follows:

	1 January 2006 to 25 November 2006 AED'000
Operating income	6,338
General and administrative expenses	(4,105)
Net profit	2,233
Operating cash flows	6,568
Investing cash flows	381
Financing cash flows	(1,382)
Net cash inflow	5,567

The profit on disposal of the Emrill Services LLC (subsidiary) is as follows:

	26 November 2006 AED'000
Total assets	28,251
Total liabilities	(16,509)
Net assets of subsidiary at the date of disposal	11,742
17.67% of interest in net assets of subsidiary disposed	2,074
Less: proceeds from disposal of subsidiary	(6,928)
Profit on disposal of subsidiary	4,854

16 INVESTMENTS IN ASSOCIATES - continued

Disposal of interest in Dubai Bank PJSC

The Group had disposed of 70% of its investment in its subsidiary Dubai Bank with effect from 1 July 2005 to Dubai Financial LLC. The Group is deemed to have lost effective control from that date. The operating results of Dubai Bank PJSC prior to the disposal were as follows:

	1 January 2005 to 30 June 2005 AED'000
Operating income	115,092
General and administrative expenses	(68,734)
Net profit	46,358
Operating cash flows	31,909
Investing cash flows	19,783
Financing cash flows	-
Net cash inflow	51,692

The profit on disposal of the Dubai Bank PJSC (subsidiary) is as follows:

	1 July 2005 AED'000
Total assets	2,708,808
Total liabilities	(2,210,006)
Net assets of subsidiary at the date of disposal	498,802
70% of net assets of subsidiary disposed	349,161
Less: proceeds from disposal of subsidiary	(595,000)
Profit on disposal of subsidiary	245,839

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements AED'000	*Buildings AED'000*	*Computers and office equipment AED'000*	*Networking, electrical and heavy equipment AED'000*	*Motor vehicles AED'000*	*Furniture and other assets AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost								
At 1 January 2006	1,482	397,533	25,797	10,913	9,648	35,598	1,563,601	2,044,572
Reclassification/transfers	-	-	8,591	(8,591)	-	-	(169,390)	(169,390)
Acquisition of subsidaries	35,040	890	14,665	-	29	23,646	-	74,270
Additions	40,079	424,187	25,221	136,767	5,294	99,197	1,773,420	2,504,165
Disposals	-	-	(2,886)	(1,394)	(2,713)	(879)	-	(7,872)
At 31 December 2006	**76,601**	**822,610**	**71,388**	**137,695**	**12,258**	**157,562**	**3,167,631**	**4,445,745**
Accumulated depreciation/ impairement								
At 1 January 2006	1,477	119,407	16,199	5,726	4,908	21,297	-	169,014
Reclassification/transfers	-	-	5,422	(5,422)	-	-	-	-
Depreciation charge	4,615	46,534	14,245	7,067	2,280	20,699	-	95,440
Disposals	-	-	(1,350)	-	(1,148)	(770)	-	(3,268)
At 31 December 2006	**6,092**	**165,941**	**34,516**	**7,371**	**6,040**	**41,226**	-	**261,186**
Net carrying amount								
At 31 December 2006	**70,509**	**656,669**	**36,872**	**130,324**	**6,218**	**116,336**	**3,167,631**	**4,184,559**

Capital work in progress as on 31 December 2006 includes assets under construction for future use as investment properties amounting to AED 2,365,104 thousands (31 December 2005: AED 1,039,028 thousands).

17 PROPERTY, PLANT AND EQUIPMENT - continued

	Leasehold improvements AED'000	*Buildings AED'000*	*Computers and office equipment AED'000*	*Networking, electrical and heavy equipment AED'000*	*Motor vehicles AED'000*	*Furniture and other assets AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost								
At 1 January 2005	1,428	220,224	18,497	129,124	6,875	24,175	16,914	417,237
Transfer from investment properties	-	-	-	-	-	-	300,842	300,842
At 1 January 2005 (restated)	1,428	220,224	18,497	129,124	6,875	24,175	317,756	718,079
Additions/transfers	54	177,309	7,300	21,656	3,694	14,269	1,257,588	1,481,870
Disposals/transfers	-	-	-	(139,867)	(921)	(2,846)	(11,743)	(155,377)
At 31 December 2005 (restated)	**1,482**	**397,533**	**25,797**	**10,913**	**9,648**	**35,598**	**1,563,601**	**2,044,572**
Accumulated depreciation/ impairment								
At 1 January 2005	1,373	69,953	10,054	42,941	3,394	16,408	-	144,123
Depreciation charge	104	49,454	6,145	19,935	2,075	5,697	-	83,410
Disposals	-	-	-	(57,150)	(561)	(808)	-	(58,519)
At 31 December 2005	**1,477**	**119,407**	**16,199**	**5,726**	**4,908**	**21,297**	**-**	**169,014**
Net carrying amount								
At 31 December 2005 (restated)	**5**	**278,126**	**9,598**	**5,187**	**4,740**	**14,301**	**1,563,601**	**1,875,558**

The rental properties under construction as on 1st January 2005 were earlier classified as investment properties and have now been reclassified as capital work in progress under property, plant and equipment as required under IAS 40. These properties are transferred to investment properties upon completion.

18 INVESTMENT PROPERTIES

	Land AED'000	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Properties under development AED'000 (Re-stated)*	*Total AED'000*
Cost					
At 1 January 2006	6,627,239	631,052	3,548	-	7,261,839
Additions	-	183,704	-	-	183,704
Transfers to development properties	(115,139)	-	-	-	(115,139)
At 31 December 2006	6,512,100	814,756	3,548	-	7,330,404
Accumulated depreciation/impairment					
At 1 January 2006	291,076	43,556	2,700	-	337,332
Depreciation charge	-	22,219	345	-	22,564
At 31 December 2006	291,076	65,775	3,045	-	359,896
Net carrying amount					
At 31 December 2006	**6,221,024**	**748,981**	**503**	**-**	**6,970,508**

	Land AED'000	*Buildings AED'000*	*Furniture and fixtures AED'000*	*Properties under development AED'000 (Re-stated)*	*Total AED'000*
Cost					
At 1 January 2005	2,106,489	367,802	3,455	300,842	2,778,588
Transfer to property, plant and equipment	-	-	-	(300,842)	(300,842)
At 1 January 2005 (restated)	2,106,489	367,802	3,455	-	2,477,746
Additions	4,520,750	263,250	93	-	4,784,093
At 31 December 2005 (restated)	6,627,239	631,052	3,548	-	7,261,839
Accumulated depreciation/impairment					
At 1 January 2005	291,076	28,639	2,071	-	321,786
Depreciation charge	-	14,917	629	-	15,546
At 31 December 2005	291,076	43,556	2,700	-	337,332
Net carrying amount					
At 31 December 2005 (restated)	6,336,163	587,496	848	-	6,924,507

The fair value of investment properties is AED 9,483,737 thousands (2005: AED 8,228,633 thousands) compared with a carrying value of AED 6,970,508 thousands (2005: AED 6,924,507 thousands).

19 TRADE AND OTHER PAYABLES

	2006	*2005*
	AED'000	*AED'000*
Project contract cost accruals	**2,334,710**	1,522,896
Advances / deposits from customers for sale of properties	**1,931,480**	2,635,273
Other payables and accruals	**1,477,554**	974,931
Trade payables	**349,028**	322,201
Deferred income	**71,667**	45,502
Unclaimed dividends	**45,322**	26,772
Income tax payable	**55,677**	-
	6,265,438	5,527,575

20 INTEREST-BEARING LOANS AND BORROWINGS

	2006	*2005*
	AED'000	*AED'000*
Balance, beginning of year	**238,693**	638,693
Borrowings acquired in a business combination	**2,187,528**	-
Borrowings drawn down during the year	**5,132,975**	-
Borrowings repaid during the year	**(3,566,986)**	(400,000)
Balance, end of year	**3,992,210**	238,693
Maturing within 12 months	**1,099,612**	-
Maturing after 12 months	**2,892,598**	238,693
Balance, end of year	**3,992,210**	238,693

Secured

The Group has following secured interest-bearing loans and borrowings:-

- AED 500,000 thousands Bank loans bearing interest at 5.8% p.a. maturing in 2007. The loan is fully secured by a lien on fixed deposits of the Group earning 5.8% interest p.a. (Note 8).

- USD 65,000 thousands (AED 238,693 thousands) loan from financial institution secured against the Group's specific investment properties and office building. Interest is charged at 6 months US$ LIBOR plus 70 basis points. The loan is repayable in full in 2009.

- USD 652,717 thousands (AED 2,397,429 thousands) loan from financial institutions, secured against real estate owned by the Group, carries interest at the US Prime Rate + 0.25% to 5% and matures at various dates to 2009.

- USD 15,762 thousands (AED 57,892 thousands) is from land sellers, secured against real estate owned by the company, carries interest at rates ranging to 6.0% and matures at various dates through to 2013.

- INR 1,300,000 thousands (AED 107,862 thousands) secured by way of first charge on certain immovable properties and receivables, carries interest at bench mark rate plus 3.33% and loan is repayable in instalments commencing in 2008 and fully repayable by 2016.

- PKR 535,595 thousands (AED 32,312 thousands) bank loans bearing interest at KIBOR plus 1.25% and secured by a bank guarantee issued by a commercial bank.(Note 27)

20 INTEREST-BEARING LOANS AND BORROWINGS - continued

Unsecured

- USD 100,000 thousands (AED 367,300 thousands) unsecured bank loans carrying interest at LIBOR plus 0.7% and maturing in January 2007.

- AED 200,000 thousands unsecured bank loans carrying interest at 5.8% and maturing in January 2007.

- USD 24,700 thousands (AED 90,722 thousands) from financial institutions is unsecured, carries interest at US Prime Rate plus 0.25% to 1% and matures in 2008.

21 RETENTIONS PAYABLE

	2006	*2005*
	AED'000	*AED'000*
Retentions payable within 12 months	**455,591**	470,657
Retentions payable after 12 months	**420,236**	262,464
	875,827	733,121

22 EMPLOYEE BENEFITS

Employee Performance Share Programme

The Company has an Employee Performance Share Programme ("The Programme") to recognise and retain good performing staff. The Programme gives the employee the right to purchase the Company's shares at par. The shares carry full dividend and voting rights, and the option can be exercised at any time from the stipulated vested dates on the condition that the employee is still under employment at the exercise date. There are no cash settlement alternatives and the options have no contractual expiry date.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2006		*2005*	
	No.	**WAEP**	No.	WAEP
Outstanding at the beginning of the year	**2,644,156**	**AED 1.00**	5,963,330	AED 1.00
Granted during the year	**669,503**	**AED 1.00**	322,640	AED 1.00
Forfeited during the year	**(355,815)**	**AED 1.00**	(2,064,124)	AED 1.00
Exercised during the year	**(1,458,608)**	**AED 1.00**	(1,577,690)	AED 1.00
Outstanding at the end of the year	**1,499,236**	**AED 1.00**	2,644,156	AED 1.00

The weighted average fair value of options granted during the year was AED 12.05 per share (2005: AED 23.15 per share).

The fair value of the vested shares is determined by reference to the official price list published by the Dubai Financial Market (DFM) for the 5 consecutive trading days prior to and after the vested date. As the options are granted deep in the money, management consider this to be an appropriate means of valuation.

The expenses recognised during the year in respect of the programme were AED 18,751 thousands (2005: AED 28,398 thousands).

22 EMPLOYEE BENEFITS - continued

End of Service Benefits

The movement in the provision for employees' end of service benefits was as follows:

	2006	*2005*
	AED'000	*AED'000*
Balance, beginning of year	**9,035**	7,486
Provision made during the year	**5,874**	3,157
End of service benefits paid	**(2,917)**	(1,608)
Balance, end of year	**11,992**	9,035

An actuarial valuation has not been performed as the net impact of discount rates and future increases in staff salaries is not likely to be material.

23 SHARE CAPITAL

	2006	*2005*
	AED'000	*AED'000*
Authorised capital – 6,096,325,000 shares of AED 1 each (31 December 2005: 6,096,325,000 shares of AED 1 each)	**6,096,325**	6,096,325
Issued and fully paid-up – 6,075,552,999 shares of AED 1 each (31 December 2005 - 5,780,175,759 shares of AED 1 each)	**6,075,553**	5,780,176

At the annual general meeting held in March 2005, the shareholders of the Company approved a bonus issue of 0.07:1 (0.07 share for every share held), thereby increasing the number of shares from 2,650,000 thousands to 2,835,500 thousands.

The Company's shareholders, at an extraordinary general meeting held on 16 July 2005 approved a bonus issue of 0.15:1 (0.15 share for every 1 share held) and a rights issue of 1:1 (one share for every share held before the bonus issue) at a premium of AED 4 per share. The shareholders were given an option to pay for the rights in one or more instalments subject to a maximum of four instalments. During the year 295,377 thousands shares were issued to shareholders who paid the instalments due under the rights issue.

24 RESERVES

	Statutory reserve AED'000	*Capital reserve AED'000*	*General reserve AED'000*	*Net unrealised gains/ (losses) reserve AED'000*	*Foreign currency translation reserve AED'000*	*Total AED'000*
Balance at 1 January 2005	2,487,051	4,004	384,345	-	-	2,875,400
Increase in unrealised gains reserve	-	-	-	496,308	419	496,727
Net income and expense recognised directly in equity	-	-	-	496,308	419	496,727
Net movement during the period	-	-	473,123	-	-	473,123
Share premium	10,077,403	-	-	-	-	10,077,403
Balance at 1 January 2006	12,564,454	4,004	857,468	496,308	419	13,922,653
Increase/(decrease) in unrealised gains reserve	-	-	-	(1,080,090)	7,897	(1,072,193)
Net income and expense recognised directly in equity	-	-	-	(1,080,090)	7,897	(1,072,193)
Net movement during the period	-	-	637,115	-	-	637,115
Share premium	1,181,509	-	-	-	-	1,181,509
Balance at 31 December 2006	**13,745,963**	**4,004**	**1,494,583**	**(583,782)**	**8,316**	**14,669,084**

According to Article number 57 of the Articles of Association of the Company and Article 193 of the U.A.E. Federal Commercial Companies Law, 10% of annual net profits are allocated to the statutory reserve and another 10% to the general reserve. The transfers to statutory reserve may be suspended when the reserve reaches 50% of the paid-up capital. Transfers to general reserve may be suspended by the ordinary general assembly when the reserve reaches 50% of the paid-up capital.

As of 31 December 2005, the statutory reserve is in excess of 50% of the paid-up share capital of the group and therefore in accordance with a resolution of the Annual General Meeting the group has ceased further transfers to this reserve.

The statutory reserve includes:

- AED 2,475,000 thousands being the premium collected at AED 15 per share (shares par value at that time was AED 10 per share) on the 1:1.65 rights issue during the year ended 31 December 1998; and
- AED 11,258,912 thousands being the premium collected at AED 4 per share on the 1:1 rights issue announced during the year ended 31 December 2005.

The capital reserve was created from gain on sale of treasury shares in 2003.

Net unrealised gains/(losses) reserve:

- This reserve records fair value changes in available for sale investments.

Foreign currency translation reserve:

- The foreign currency translation reserve is used to record exchange difference arising from translation of the financial statements of foreign subsidiaries.

25 DIVIDENDS

A cash dividend of AED 0.40 per share dividend for 2005 was approved by the shareholders of the Company at the Annual General Meeting of the Company held on 8 March 2006 and was subsequently paid during the year.

26 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average numbers of shares outstanding during the year and the previous year have been adjusted for events that have changed the number of shares outstanding without a corresponding change in resources. For diluted earnings per share, the weighted average numbers of shares have been adjusted for rights issue shares to be allotted after the year end.

The information necessary to calculate basic and diluted earnings per share is as follows:

	2006	*2005*
	AED'000	*AED'000*
Earnings:		
Net profit for the year attributable to equity holders of the Parent	**6,371,147**	4,731,231
Shares (in thousands):		
Weighted average number of shares outstanding for calculating basic EPS	**5,988,382**	5,565,256
Weighted average number of shares under rights issue to be allotted on realisation of instalment payment	**107,943**	100,523
Weighted average number of shares outstanding for calculating diluted EPS	**6,096,325**	5,665,779
Basic earnings per share	**AED 1.06**	AED 0.85
Diluted earnings per share	**AED 1.05**	AED 0.84

27 CONTINGENCIES AND COMMITMENTS

Guarantees

The Group has the following guarantees outstanding as at 31 December 2006:-

1. Loans taken by an associated company from commercial banks amounting to AED 426,162 thousands (31 December 2005: AED Nil) are guaranteed by the Group. The banks also have lien on certain fixed deposits amounting to AED 293,351 thousands (note 8) of the Group as security for these borrowings.
2. Loans taken by an associated company from commercial banks amounting to AED 937,386 thousands (31 December 2005: Nil) are guaranteed by the Group. The JV partner in the associate has provided the Group a counter guarantee and indemnity up to its share of liability for any claim made against the Group arising from the guarantee.
3. The Group has guaranteed its share of AED 76,935 thousands for performance of a contract for its share in an associated company.
4. The Group has provided a trade license guarantee of AED 5,000 thousands to Government of Dubai.
5. The Group has availed a bank guarantee of USD 20,000 thousands (AED 73,460 thousands) from a commercial bank as a security for borrowing by Group's international subsidiary. This commercial bank has a lien on certain fixed deposits of AED 15,321 thousands as margin money for the above guarantee.

27 CONTINGENCIES AND COMMITMENTS - continued

Commitments

As of 31 December 2006, the Group had commitments of AED 13,263,885 thousands (2005: AED 11,095,579 thousands) including project commitments of AED 13,234,410 thousands (2005: AED 11,061,995 thousands). This represents the value of contracts issued as of 31 December 2006 net of invoices received and accruals made at that date.

Operating Lease commitments – Group as lessee

The Group has entered into various operating lease agreements for properties, office facilities and equipment. Future minimum payments under these operating leases as at 31 December are as follows:-

	2006	*2005*
	AED'000	*AED'000*
Within one year	**243,277**	-
Aftrer one year but not more than five years	**1,303,675**	-
	1,546,952	-

28 TRANSACTIONS WITH RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related party transactions

During the financial year, there were the following significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

	2006	*2005*
	AED'000	*AED'000*
Associates:		
Net interest income on deposits / investments from Dubai Bank PJSC	**5,923**	10,426
Islamic finance income from Amlak Finance PJSC	**28,312**	39,706
Other related parties:		
Islamic finance income from Al Salam Bank	**1,438**	-
Net interest income on deposits / investments from Mashreq Bank PSC	**12,838**	71,039
Profit received on investment deposits with Dubai Islamic Bank	**2,444**	2,353

The members of the board of directors received attendance fees totalling AED 900 thousands (2005: AED 1,200 thousands).

28 TRANSACTIONS WITH RELATED PARTIES - continued

Related party balances

Significant related party balances (and the balance sheet captions within which these are included) are as follows:

	2006	*2005*
	AED'000	*AED'000*
Associates:		
Fixed deposits with Dubai Bank PJSC	**-**	634,842
Held to maturity investment with Dubai Bank PJSC	**-**	50,000
Investment deposits with Amlak Finance PJSC	**-**	180,000
Other related parties:		
Held to maturity Mudaraba deposits with Al Salaam Bank	**55,095**	110,190
Investment in Al Salaam Bank, Sudan	**11,597**	11,597
Investment in Al Salaam Bank, Bahrain	**46,905**	51,405
Investment in Al Salaam Bank, Algeria	**20,202**	-

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2006	*2005*
	AED'000	*AED'000*
Short-term benefits	**291,188**	90,596
Employees' end of service benefits	**3,922**	1,239
Performance share programme	**8,745**	8,850
	303,855	100,685

As at 31 December 2006, the number of directors and other members of key management was 145 (31 December 2005: 24).

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to interest rate, foreign currency and credit risks arising from its diversified portfolio business. The Group's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, the Group has implemented risk management policies and guidelines that set out its tolerance of risk and its general risk management philosophy.

Interest rate risk

Interest on financial instruments having floating rates is repriced at intervals of less than one year and interest on financial instruments having fixed rate is fixed until the maturity of the instrument. Other than commercial and overall business conditions, the Group's exposure to market risk for changes in interest rate environment relates mainly to its investment in financial products and fixed deposits.

The investments in financial products are not for trading or speculative purposes but placed in securities or fixed deposits, with the objective of achieving better returns than cash at bank. The interest rates on loans to associates are described in note 15. Interest rates on loans from financial institutions are disclosed in note 20.

Credit risk

Credit risk, or the risk of counter parties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. In addition, investments and financial transactions are restricted to counterparties that meet appropriate credit criteria and have a high credit standing.

Foreign currency risk

The Group enters into various foreign exchange transactions. However, most of such transactions are denominated in US Dollars or currencies linked to the US Dollar. The currency conversion rate between the US Dollar and the U.A.E. Dirham has remained stable over the past several years.

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Group include bank balances and cash, trade receivables, securities, loans and advances, other receivables, investments in associates and due from related parties. Financial liabilities of the Group include customer deposits, loans from financial institutions, accounts payable and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying values unless stated otherwise.

31 MARKET VALUE OF LAND

The carrying value of land included in investment properties and development properties at 31 December 2006 comprised purchased land at cost and donated land at nominal value. The fair value of such land was determined by the Group based on valuations carried out by independent valuers on an open market basis. The total fair value of the purchased and donated land was AED 37,942,729 thousands (2005: AED 30,148,980 thousands) compared with a carrying value of AED 10,132,806 thousands (2005: AED 7,318,988 thousands). The value of the land does not include the land owned by the associated companies of the Group.

32 EVENTS AFTER THE BALANCE SHEET DATE

The Group has appointed a leading financial institution as lead manager to arrange USD 1,000,000 thousands (AED 3,673,000 thousands) Musharaka Islamic Syndication. The funds arranged under the syndication were not drawn down by the group as at the date of signing these financial statements.