

Tamweel L.L.C.

FINANCIAL STATEMENTS

31 DECEMBER 2005

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
TAMWEEL L.L.C.**

We have audited the accompanying balance sheet of Tamweel L.L.C (the “Company”) as of 31 December 2005, and the related statements of income, cash flows and changes in equity for the year then ended. These financial statements and the Company’s undertaking to operate in accordance with Islamic Sharia’a rules and principles are the responsibility of the Company’s management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Sharia’a rules and principles as determined by the Sharia’a Supervisory Board of the Company.

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

22 January 2006

Dubai, United Arab Emirates

Tamweel L.L.C.

INCOME STATEMENT

Year ended 31 December 2005

	<i>Notes</i>	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Income from Islamic financing and investing assets	3	46,241	5,693
Income from sale of development property, net	4	22,548	20,592
Fees and other income	5	31,175	8,014
OPERATING INCOME		99,964	34,299
General and administrative expenses	6	(35,642)	(18,235)
Finance (cost) income, net	7	(22,120)	1,921
PROFIT FOR THE YEAR		42,202	17,985

The attached notes 1 to 25 form part of these financial statements.

Tamweel L.L.C.

BALANCE SHEET

At 31 December 2005

	<i>Notes</i>	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
ASSETS			
Bank balances and cash		162,011	87,653
Accounts receivable and prepayments	8	107,271	55,793
Islamic financing and investing assets	9	1,285,852	266,507
Investments carried at fair value through income statement	10	1,030	-
Fixed assets	12	17,884	5,093
TOTAL ASSETS		<u>1,574,048</u>	<u>415,046</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	450,000	300,000
Statutory reserve	14	6,019	1,799
Retained earnings		-	16,186
Proposed dividend	15	52,434	-
Total shareholders' equity		<u>508,453</u>	<u>317,985</u>
Liabilities			
Zakat payable		1,734	-
Accounts payable		11,866	19,688
Accruals and other payables	16	41,763	2,226
Deferred commission income		4,758	-
Financing arrangements	17	1,005,000	75,000
Employees' end of service benefits		474	147
Total liabilities		<u>1,065,595</u>	<u>97,061</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>1,574,048</u>	<u>415,046</u>

Chairman
22 January 2006

Director
22 January 2006

The attached notes 1 to 25 form part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2005

	<i>Notes</i>	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
OPERATING ACTIVITIES			
Profit for the year		42,202	17,985
Adjustments for:			
Depreciation	12	1,198	1,066
Loss on disposal of fixed assets		-	6
Provision for employees' end of service benefits		327	147
Provision for impairment of Islamic financing and investing assets	9	2,800	-
Movement in fair value of investments		(30)	-
Finance cost (income), net	7	22,120	(1,921)
		68,617	17,283
Working capital changes:			
Accounts receivable and prepayments	8	(51,478)	(55,793)
Islamic financing and investing assets	9	(1,022,145)	(266,507)
Accounts payable		(7,822)	19,688
Accruals and other payables	16	39,537	2,226
Deferred commission income		4,758	-
Net cash used in operating activities		(968,533)	(283,103)
INVESTING ACTIVITIES			
Purchase of fixed assets	12	(13,989)	(6,197)
Purchase of investments carried at fair value through income statement		(1,000)	-
Proceeds from disposal of fixed assets		-	32
Finance (cost) income, net	7	(22,120)	1,921
Net cash used in investing activities		(37,109)	(4,244)
FINANCING ACTIVITY			
Issue of shares	13	150,000	-
Financing arrangements contracted	17	1,080,000	75,000
Financing arrangements repaid		(150,000)	-
Cash from financing activity		1,080,000	75,000
INCREASE (DECREASE) IN BANK BALANCES AND CASH		74,358	(212,347)
Bank balances and cash at 1 January		87,653	300,000
BANK BALANCES AND CASH AT 31 DECEMBER		162,011	87,653

The attached notes 1 to 25 form part of these financial statements.

Tamweel L.L.C.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Proposed Dividend AED'000</i>	<i>Total AED'000</i>
Balance at 1 January 2004	300,000	-	-	-	300,000
Net profit for the year	-	-	17,985	-	17,985
Transfer to statutory reserve	-	1,799	(1,799)	-	-
Balance at 31 December 2004	300,000	1,799	16,186	-	317,985
Issue of shares	150,000	-	-	-	150,000
Net profit for the year	-	-	42,202	-	42,202
Transfer to statutory reserve	-	4,220	(4,220)	-	-
Zakat	-	-	(1,734)	-	(1,734)
Proposed dividend (note 15)	-	-	(52,434)	52,434	-
Balance at 31 December 2005	450,000	6,019	-	52,434	508,453

The attached notes 1 to 25 form part of these financial statements.

1 ACTIVITIES

Tamweel L.L.C. (the "Company") is registered as a limited liability company in accordance with UAE Federal Law No (8) of 1984, as amended.

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic financing and investment activities such as Ijara, Murabaha, Istina'a etc. The Company is also engaged in the business of property development. 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 registered address of the Company is P.O. Box 111555, Dubai, United Arab Emirates.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, Sharia'a rules and principles as determined by the Company's Sharia'a Supervisory Board and applicable requirements of United Arab Emirates laws.

The financial statements have been presented in thousands of UAE Dirhams being the functional currency of the company.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments carried at fair value through the income statement.

The accounting policies are consistent with those used in the previous year. Revisions to International Financial Reporting Standards becoming mandatory for financial years beginning on or after 1 January 2005 have had no effect on the accounting policies adopted by the company.

Definitions

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

Ijarah

An agreement whereby the Company (lessor) purchases or leases an asset according to the customer's request (lessee), based on his promise to lease the asset for a specific period and against certain rent installments. Ijara could end by transferring the ownership of the asset to the lessee.

Murabaha

An agreement whereby the Company sells to a customer a commodity which the Company has purchased and acquired based on a promise received from the customer to buy the item purchased according to specific terms and conditions. The selling price comprises the cost of the commodity and an agreed profit margin.

Istisna'a

An agreement between the Company and a third party whereby the Company commits itself to construct specific assets or properties. The price and specifications of the assets or properties are agreed at the outset between the client and the Company. In addition, a construction supervision fee is paid by the client to the Company in phases, equivalent to the progress in the construction of the asset or property.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Sale of property

Revenue on sale of apartments is recognized on the basis of percentage completion as and when all of the following conditions are met:

- A sale is consummated and contracts are signed;
- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- Construction work has commenced, with engineering, design work and site clearance being completed;
- The buyer is committed. The buyer is unable to require a refund except for non-delivery of the unit. Management believes that the likelihood of the Company being unable to fulfil its contractual obligations for these reasons is remote; and
- The aggregate sales proceeds and costs can be reasonably estimated.

Ijarah

Ijarah income is recognised on a time-apportioned basis over the lease term.

Murabaha

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

Istisna'a

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

Processing fees

Processing fees are recognized when facilities are approved.

Cost of sale of property

Cost of sale of property includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sale in respect of apartments is based on the estimated proportion of the development cost incurred to date to the estimated total development cost for each project.

Islamic financing and investing assets

Islamic financing and investing assets consist of Ijarah contracts, Istisna'a contracts and Murabaha receivables. Istisna'a cost is measured and reported in the financial statements at a value not exceeding the cash equivalent value. Other Islamic financing and investing assets are stated at cost less deferred profits and any provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less.

Investments carried at fair value through income statement

Investments are classified as fair value through income statement if the fair value of the investment can be reliably measured and the classification as fair value through income statement is as per the strategy of the Company. Investments classified as "Investments at fair value through income statement" upon initial recognition are remeasured at fair value with all changes in fair value being recorded in the income statement.

Fair values

For investments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts, or similar investment vehicles are based on the last published bid price.

For financial instruments where there is no active market fair value is normally based on one of the following:

- recent transactions
- brokers' quotes

The estimated fair value of corporate deposits is the amount payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Land and capital work-in progress are not depreciated.

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

Leasehold improvements	5 years
Office equipment	5 years
Networks and servers	4 years
Furniture and fixtures	4 years
Computer equipment	3 years

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of fixed assets 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 fixed assets. All other expenditure is recognised in the income statement as the expense is incurred.

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;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Deposits

Deposits are carried at cost, less amounts repaid.

Accounts payable and accruals

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

Provisions

Provisions are recognized when the Company has an 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.

Zakat

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

- Zakat on shareholders' equity is computed as the aggregate of general and legal reserves, provision for doubtful debt, retained earnings and provision for staff gratuity as multiplied by 2.577%.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on the paid up capital is not included in the zakat computations and is payable by the shareholders personally.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Employees' end of service benefits

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

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

Foreign currencies

Transactions in foreign currencies are recorded at 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 the income statement.

IFRSs and interpretation issued but not yet effective

The following IFRSs and Interpretations have been issued but are not yet mandatory, and have not been adopted by the Company:

- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IFRIC 3 Emission Rights
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

These Standards and Interpretations do not apply to the activities of the Company.

- IFRIC 4 Determining Whether an Arrangement Contains a Lease

This Interpretation is required to be applied for annual years beginning on or after 1 January 2006, but is not expected to have a material impact on the financial statements of the Company.

3 INCOME FROM ISLAMIC FINANCING AND INVESTING ASSETS

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Ijarah	28,163	3,436
Murabaha	2,832	1,281
Istisna'a	15,246	976
	<u>46,241</u>	<u>5,693</u>

4 INCOME FROM SALE OF DEVELOPMENT PROPERTY, NET

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Revenue from sale of property	60,204	40,280
Cost of sale of property (note 11)	(37,656)	(19,688)
	<u>22,548</u>	<u>20,592</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

5 FEES AND OTHER INCOME

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Processing and arrangement fees	13,322	5,111
Commission income	9,678	-
Gain on investment earned at fair value through income statement	30	-
Others	8,145	2,903
	<u>31,175</u>	<u>8,014</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Staff costs	20,830	7,701
Advertisement and public relations services	5,955	4,379
Rent	1,483	809
Depreciation	1,198	1,066
Legal and professional expenses	740	1,514
Commissions	52	1,296
Others	5,384	1,470
	<u>35,642</u>	<u>18,235</u>

7 FINANCE (COST) INCOME, NET

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Income on deposits	-	2,528
Bank charges	(844)	(305)
Mudaraba charges	(18,965)	(302)
Corporate deposit charges	(2,311)	-
	<u>(22,120)</u>	<u>1,921</u>

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Commission income receivable	14,036	-
Receivables on sale of property	44,333	20,875
Advance for purchase of properties	27,889	25,299
Accrued profit on Islamic financing and investing assets	13,946	5,685
Prepaid expenses	5,302	1,025
Others	1,765	2,909
	<u>107,271</u>	<u>55,793</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

9 ISLAMIC FINANCING AND INVESTING ASSETS

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Ijarah	819,587	197,767
Murabaha	27,337	45,814
Istisna'a	441,728	22,926
	1,288,652	266,507
Provision for impairment	(2,800)	-
	1,285,852	266,507

10 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

The Company holds investments in managed funds which are classified as investments carried at fair value through income statement.

These investments are carried at fair value based on the last published bid price received from the fund manager.

11 DEVELOPMENT PROPERTY

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Costs incurred during the year	37,656	19,688
Less: Transferred to cost of sale of property (note 4)	(37,656)	(19,688)
	-	-

12 FIXED ASSETS

	<i>Leasehold improvement AED'000</i>	<i>Office equipments AED'000</i>	<i>Furniture and fixtures AED'000</i>	<i>Software licenses and computer equipments AED'000</i>	<i>Network and server AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Total AED'000</i>
Cost:							
At 1 January 2005	-	337	1,672	1,525	-	2,623	6,157
Additions	778	299	420	3,653	858	7,981	13,989
At 31 December 2005	778	636	2,092	5,178	858	10,604	20,146
Depreciation:							
At 1 January 2005	-	80	407	577	-	-	1,064
Charge for the Year	102	97	354	522	123	-	1,198
At 31 December 2005	102	177	761	1,099	123	-	2,262
Net book value:							
At 31 December 2005	676	459	1,331	4,079	735	10,604	17,884
At 31 December 2004	-	257	1,265	948	-	2,623	5,093

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

13 SHARE CAPITAL

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Issued and fully paid: 450,000 (2004: 300,000) shares of AED 1,000 each	<u>450,000</u>	<u>300,000</u>

14 STATUTORY RESERVE

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year has to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

15 PROPOSED DIVIDEND

The Board of Directors has proposed cash dividend of AED 0.12 per share totaling AED 52,434 thousand, which is subject to the approval of the shareholders at the annual general meeting.

16 ACCRUALS AND OTHER PAYABLES

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Accrued Mudaraba charges	18,443	190
Accruals for capital expenditures	9,745	-
Accrued corporate deposits charges	2,310	-
Other payables	11,265	2,036
	<u>41,763</u>	<u>2,226</u>

17 FINANCING ARRANGEMENTS

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Mudaraba obligations	700,000	75,000
Corporate deposits	305,000	-
	<u>1,005,000</u>	<u>75,000</u>

Mudaraba obligations

The Company has Mudaraba obligations of AED 675 million with Dubai Islamic Bank P.J.S.C. (2004: AED 75 million) and AED 25 million with Istithmar Private Joint Stock Company (2004: NIL).

Mudaraba facilities obtained from Dubai Islamic Bank contain varying profit and loss distribution ratios subject to a minimum return, based on EIBOR, determined at the inception of the arrangement. Minimum return varied between 3.62% to 5.5%. These arrangements can be rolled forward at the end of the initial term subject to the mutual consent of both parties. These facilities are repayable within one year.

Mudaraba facilities with Istithmar Private Joint Stock Company contain a profit and loss distribution ratio of (30:70) subject to a minimum return of 3.80%, based on EIBOR, determined at the inception of the arrangement. These arrangements can be renewed at the end of the initial term subject to the mutual consent of both parties. The repayment is due within a year.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

17 FINANCING ARRANGEMENTS - continued

Corporate deposits

These are deposits from companies in the United Arab Emirates. These deposits are denominated in UAE Dirhams and carry profit returns varying between 4.2% and 5.75%.

18 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners (affiliated companies). Pricing policies and terms of these transactions are approved by the Company's management.

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

	2005		2004	
	<i>Income AED'000</i>	<i>Expenses AED'000</i>	<i>Income AED'000</i>	<i>Expenses AED'000</i>
Major shareholders	-	19,287	-	607
Directors and key management personnel	-	750	-	875
Other related parties	-	-	-	94
	<u>-</u>	<u>20,037</u>	<u>-</u>	<u>1,576</u>

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

	2005			2004		
	<i>Capital commitments AED'000</i>	<i>Receivables AED'000</i>	<i>Payables AED'000</i>	<i>Capital commitments AED'000</i>	<i>Receivables AED'000</i>	<i>Payables AED'000</i>
Affiliated companies	235,462	42,881	11,866	227,692	27,589	19,687
Major shareholders	-	-	700,000	-	-	75,000
	<u>235,462</u>	<u>42,881</u>	<u>711,866</u>	<u>227,652</u>	<u>27,589</u>	<u>94,687</u>

Compensation of Key Management Personnel

	2005 <i>AED'000</i>	2004 <i>AED'000</i>
Short term benefits	4,778	1,578
Terminal benefits	110	50
	<u>4,888</u>	<u>1,628</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

19 COMMITMENTS

Credit-related commitments

Financing-related commitments include commitments to extend finance designed to meet the requirements of the Company's customers.

Commitments to extend financing represent contractual commitments to provide Islamic financing. Commitments generally have fixed expiration dates, or other termination clauses, and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Company has the following credit related commitments:

	<i>2005</i> <i>AED'000</i>	<i>2004</i> <i>AED'000</i>
Irrevocable commitments to extend credit	<u>954,233</u>	<u>963,848</u>

Capital commitment

As at 31 December 2005, the Company was committed to capital expenditure of AED 235,462 thousands (31 December 2004: AED 227,692 thousands).

20 CONTINGENCIES

(a) The Company has entered into certain lease agreements amounting to AED 1,288 million (US\$ 350 million) with customers of Nakheel L.L.C. ("Nakheel") which are recorded as off-balance sheet items in the books of the Company. The Company has also entered into securitization and service agreements with Nakheel L.L.C. and Emirates National Securities Corporation (ENSeC) in connection with these lease agreements. The combined legal effect of these agreements is that the Company is acting on behalf of Nakheel in term of its arrangements with Nakheel's customers. In return it receives a service fee. Any amount received from credit customers is passed by the Company to Trustees on behalf of Nakheel.

Furthermore, as per the agreements, the Company is liable to ENSeC for any defaults by the credit customers. However, Nakheel has provided an irrevocable indemnity to the Company to make good any defaults by the customers and has also provided security in this regard. Accordingly, in the opinion of management the Company has minimal credit risk. The Company has obtained approval from the UAE Central Bank to account for the lease agreements as an off-balance item.

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

21 RISK MANAGEMENT

Pricing risk

Pricing risk, comprising market and valuation risks, is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

There are formal procedures to assess and monitor credit risk as part of the process of advancing finance. In addition, management regularly reviews the state of receivables and provision is made for any specific balances considered doubtful of recovery. The credit risk is reduced since all assets and finance receivables are considered to be fully secured by direct ownership or mortgage over the assets financed.

The Company's customers are mainly based in the United Arab Emirates. At 31 December 2005, there was no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

21 RISK MANAGEMENT – continued

Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents.

The table below summarises the maturity profile of the Company's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the assets and liabilities at 31 December 2005 was as follows:

	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>Over 1 year AED'000</i>	<i>Total AED'000</i>
Assets				
Cash and deposits with banks	162,011	-	-	162,011
Accounts receivable and prepayments	4,078	49,731	53,462	107,271
Islamic financing and investing assets	212,538	155,253	918,061	1,285,852
Investments carried at fair value through income statement	-	1,030	-	1,030
	<u>378,627</u>	<u>206,014</u>	<u>971,523</u>	<u>1,556,164</u>
Fixed assets				<u>17,884</u>
				<u>1,574,048</u>
Shareholders' equity and liabilities				
Zakat payable	-	1,734	-	1,734
Accounts payable	-	11,866	-	11,866
Accruals and other payables	23,684	18,079	-	41,763
Deferred commission income	93	179	4,486	4,758
Financing arrangements	700,000	305,000	-	1,005,000
Employees' end of service benefits	-	-	474	474
	<u>723,777</u>	<u>336,858</u>	<u>4,960</u>	<u>1,065,595</u>
Equity				<u>508,453</u>
				<u>1,574,048</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

21 RISK MANAGEMENT – continued

31 December 2004

	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>Over 1 year AED'000</i>	<i>Total AED'000</i>
Assets				
Cash and deposits with banks	87,653	-	-	87,653
Accounts receivable and prepayments	34,918	20,875	-	55,793
Islamic financing and investing assets	16,241	29,726	220,540	266,507
	<u>138,812</u>	<u>50,601</u>	<u>220,540</u>	<u>409,953</u>
Fixed assets				5,093
				<u>415,046</u>
Shareholders' equity and liabilities				
Accounts payable	19,688	-	-	19,688
Accruals and other payables	2,226	-	-	2,226
Financing arrangements	-	75,000	-	75,000
Employees' end of service benefits	-	-	147	147
	<u>21,914</u>	<u>75,000</u>	<u>147</u>	<u>97,061</u>
Equity				317,985
				<u>415,046</u>

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no material assets or liabilities in currencies other than UAE Dirhams. Accordingly, the Company is not subject to significant currency risk.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

22 SEGMENTAL INFORMATION

Primary segment information

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

- Islamic Financing and
Investing activity - Principally handling Islamic financing and investing activities.
- Property development - Principally involved in the development and sale of property.

These segments are the basis on which the company reports its primary segment information. Other operations of the company comprise the operations and financial control groups.

Segmental information for the year ended **31 December 2005** was as follows:

	<i>Property development AED'000</i>	<i>Islamic financing and investing activities AED'000</i>	<i>Other AED'000</i>	<i>Total AED'000</i>
Gross income	22,548	59,563	17,853	99,964
Provision for impairment	-	(2,800)	-	(2,800)
Segment result	22,548	34,643	17,853	75,044
Unallocated costs				(32,842)
Net profit for the year				42,202
OTHER INFORMATION				
Segment assets	44,333	1,299,798	14,036	1,358,167
Unallocated assets				215,881
Total assets				1,574,048
Segment liabilities	16,128	1,030,810	4,758	1,051,696
Unallocated liabilities				13,899
Total liabilities				1,065,595

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

22 SEGMENTAL INFORMATION – continued

Segmental information for the year ended 31 December 2004 was as follows:

	<i>Property development AED '000</i>	<i>Islamic financing and investing activities AED '000</i>	<i>Other AED '000</i>	<i>Total AED '000</i>
Gross income	20,592	13,332	2,903	36,827
Segment result	20,592	12,725	2,903	36,220
Unallocated costs				(18,235)
Net profit for the year				17,985

OTHER INFORMATION

Segment assets	22,312	266,507	-	288,819
Unallocated assets				126,227
Total assets				415,046
Segment liabilities	19,688	53,412	-	73,100
Unallocated liabilities				23,961
Total liabilities				97,061

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

23 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets include cash and deposits with banks, trade accounts receivable and Islamic financing and investing assets and investment carried at fair value through income statement. Financial liabilities include payables, accruals, Mudaraba obligations and corporate deposits.

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

24 KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of Islamic financing and investing assets

An estimate of the collectible amount of Islamic financing and investing assets is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were AED 1,288,652 thousand, and the provision for doubtful debts was AED 2,800 thousand. Any difference between the amounts actually collected in future years and the amounts expected will be recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2005

25 COMPARATIVES

The corresponding figures for 2004 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit and shareholders' equity and have been made in light of changes in International Financial Reporting Standards and to improve the quality of information presented.