

Al Safwa Islamic Financial Services (PJSC)

FINANCIAL STATEMENTS

31 DECEMBER 2007

(TO BE COPIED ON THE COMPANY'S LETTERHEAD)

The Board of Directors presents its report and audited financial statements of Al Safwa Islamic Financial Services PJSC (the "Company") for the period ended 31 December 2007.

RESULTS

During the period, the Company had total revenues of AED 16,730,847 (2006: AED 73,010). The net profit for the year amounted to AED 15,659,347 (2006: loss of AED 7,023,569).

AUDITORS

The Company's auditors, Ernst & Young, have expressed their willingness to continue as the Company's auditors for the year ending 31 December 2008.

By the order of the Board of Directors

23 January 2008

Dubai, United Arab Emirates

Al Safwa Islamic Financial Services (PJSC)

INCOME STATEMENT

Year ended 31 December 2007

			<i>From 11 March to 31 December 2006 AED</i>
	<i>Notes</i>	<i>2007 AED</i>	
Revenues			
Commission income		<u>16,730,847</u>	<u>73,010</u>
Costs			
General and administrative expenses		(14,747,172)	(6,997,861)
Establishment expenses	3	-	(6,552,650)
Finance costs	4	-	(228,000)
Profit on sale of investment properties		7,602,416	160,031
Change in fair value of investment properties		4,629,787	9,623,153
Loss on sale of trading securities		(882,594)	(591,487)
Change in fair value of trading securities		1,576,375	(5,334,556)
Other income	5	<u>1,163,574</u>	<u>2,824,791</u>
Net profit before Zakat		16,073,233	(7,023,569)
Zakat expense		<u>(413,886)</u>	<u>-</u>
PROFIT (LOSS) FOR THE YEAR/PERIOD	6	<u>15,659,347</u>	<u>(7,023,569)</u>

The attached notes 1 to 23 form part of these financial statements.

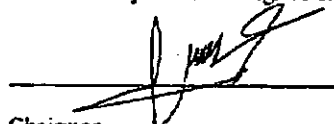
Al Safwa Islamic Financial Services (PJSC)

BALANCE SHEET

At 31 December 2007

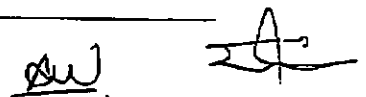
	Notes	2007 AED	2006 AED
ASSETS			
Non-current assets			
Property, plant and equipment	7	9,508,612	2,038,062
Investment properties	8	14,625,072	66,637,805
Development properties	9	8,406,618	-
		<u>32,540,302</u>	<u>68,675,867</u>
Current assets			
Trading securities	10	5,836,135	20,335,020
Accounts receivable and prepayments	11	53,273,501	16,824,119
Bank balances and cash	12	82,223,384	17,829,456
		<u>141,333,020</u>	<u>54,988,595</u>
TOTAL ASSETS		<u><u>173,873,322</u></u>	<u><u>123,664,462</u></u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' funds			
Share capital	13	129,841,748	129,841,748
Statutory reserve	14	1,565,935	-
General reserve	15	1,565,935	-
Employees' performance share program	16	(2,000,000)	(2,000,000)
Retained earnings (accumulated losses)		5,503,908	(7,023,569)
Total shareholders' funds		<u>136,477,526</u>	<u>120,818,179</u>
Non-current liabilities			
Employees' end of service benefits	16	172,721	43,330
Current liabilities			
Accounts payable and accruals	17	37,223,075	2,802,953
Total liabilities		<u>37,395,796</u>	<u>2,846,283</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>173,873,322</u></u>	<u><u>123,664,462</u></u>

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 23 January 2008 and signed on their behalf by:


Chairman


Managing Director

The attached notes 1 to 23 form part of these financial statements.



Al Safwa Islamic Financial Services (PJSC)

CASH FLOW STATEMENT

Year ended 31 December 2007

			<i>From 11 March to 31 December 2006</i>
	<i>Notes</i>	<i>2007 AED</i>	<i>AED</i>
OPERATING ACTIVITIES			
Profit (loss) for the year/period		15,659,347	(7,023,569)
Adjustments for:			
Depreciation	7	885,136	526,585
Provision for employees' end of service benefits	16	129,391	43,330
Profit on sale of investment properties		(7,602,416)	(160,031)
Loss on sale of trading securities		882,594	591,487
Change in fair value of investment properties	8	(4,629,787)	(9,623,153)
Change in fair value of trading securities	10	(1,576,375)	5,334,556
Profit from murabaha	5	(594,480)	(2,688,694)
Murabaha expense	4	-	228,000
		<u>3,153,410</u>	<u>(12,771,489)</u>
Working capital changes:			
Accounts receivable and prepayments		(36,449,382)	(16,824,119)
Accounts payable and accruals		34,420,122	2,802,953
		<u>1,124,150</u>	<u>(26,792,655)</u>
Cash from (used in) operations			
Murabaha expense	4	-	(228,000)
		<u>1,124,150</u>	<u>(27,020,655)</u>
Net cash from (used in) operating activities			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(8,355,686)	(2,564,647)
Purchase of investments property	8	(100,731)	(57,521,862)
Purchase of development properties	9	(8,406,618)	-
Purchase of trading securities	10	(1,227,782)	(37,548,583)
Proceed on sale of investment properties		64,345,667	667,241
Proceed on sale of trading securities		16,420,448	11,287,520
Profit from murabaha	5	594,480	2,688,694
		<u>63,269,778</u>	<u>(82,991,637)</u>
Net cash from (used in) investing activities			
FINANCING ACTIVITIES			
Paid up share capital		-	129,841,748
Employees' Performance Share Program		-	(2,000,000)
		<u>-</u>	<u>127,841,748</u>
Net cash from financing activities			
INCREASE IN CASH AND CASH EQUIVALENTS			
		64,393,928	17,829,456
Cash and cash equivalent at the beginning of the period	12	17,829,456	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	<u>82,223,384</u>	<u>17,829,456</u>

The attached notes 1 to 23 form part of these financial statements.

Al Safwa Islamic Financial Services (PJSC)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	<i>Share Capital AED</i>	<i>Statutory Reserve AED</i>	<i>General Reserve AED</i>	<i>Retained Earnings (Accumulated Losses) AED</i>	<i>Employee Performance Share Program AED</i>	<i>Total AED</i>
Capital introduced	129,841,748	-	-	-	-	129,841,748
Employee Performance Share Program	-	-	-	-	(2,000,000)	(2,000,000)
Loss for the period	-	-	-	(7,023,569)	-	(7,023,569)
Balance at 31 December 2006	129,841,748	-	-	(7,023,569)	(2,000,000)	120,818,179
Profit for the year	-	-	-	15,659,347	-	15,659,347
Transfer to statutory reserve	-	1,565,935	-	(1,565,935)	-	-
Transfer to General reserve	-	-	1,565,935	(1,565,935)	-	-
Balance at 31 December 2007	129,841,748	1,565,935	1,565,935	5,503,908	(2,000,000)	136,477,526

The attached notes 1 to 23 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

1 ACTIVITIES

Al Safwa Islamic Financial Services (PJSC) (the "Company") is a private joint stock Company registered in Dubai on 11 March 2006 under the U.A.E. Commercial Companies Law of 1984 (as amended). The Company provides brokerage services in financial instruments and commodities. The company started its operations on 5 August 2006 and its registered office is P O box 185085, Dubai, United Arab Emirates.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, and applicable requirements of the United Arab Emirates.

The financial statements are prepared under the historical cost convention, and have been presented in UAE Dirhams.

The accounting policies are consistent with those used in the previous year. Adoption of new and revised standards and interpretation effective from 1 January 2007 did not have any effect on financial performance or position of the Company. They did however give rise to additional disclosures requirements. These new disclosures are included throughout the financial statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Commission income represents the invoiced value of brokerage commission, net of rebates and discounts. Interest income is recognised as it accrues.

Murabaha profit is recognised as the profit accrues. Dividend revenue is recognised when the right to receive the dividend is established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

With the exception of capital work in progress which is not depreciated, depreciation is calculated on a straight line basis over the estimated useful lives of the assets of 3 years.

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

Expenditure incurred to replace a component of an item of property, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are initially recognised at cost, being the fair value of the consideration given and include acquisition charges associated with the investment. After initial recognition, investment properties are re-measured at fair value with unrealised gains or losses on investment properties reported in the income statement.

Development properties

Properties that are being constructed or developed for future use as investment properties are stated at cost. Cost includes cost of land and other related expenditure such as professional fees, administrative costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress. These properties are classified as development properties until construction or development is completed, at which time the properties become investment properties. No depreciation is charged on development properties.

Trading Securities

Trading securities are acquired principally for the purpose of generating a profit from short-term fluctuations in their price. Acquisition in shares is initially recognised at cost, being the fair value of the consideration given, including all acquisition costs associated with the investment. Trading securities are recognised and derecognised, on a trading date basis, when the company becomes, or ceases to become, a party to the contractual provisions of the instrument.

Subsequent to initial recognition, trading in shares is measured at fair value. Fair value is determined by reference to Stock Exchange quoted bid prices at the close of business on the balance sheet date, adjusted for other costs necessary to realise the assets.

Any gain or loss arising from a change in the fair value of trading securities is recognised in the income statement for the period in which it arises. Dividend, profit and other revenues generated from trading in shares are included in other income in the income statement.

Accounts receivable

Accounts receivable are stated at original transactions 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and bank balances.

Accounts payable and accruals

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

Employees' performance share program

IFRS 2 "Share-Based Payment" requires an expense to be recognised where an entity buys services in exchange for shares or rights over shares ("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 options 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).

Under the company's program, awards, which represent the right to purchase the Company's ordinary shares, will be allocated to eligible employees of the company. If the market prices are not available the fair value is determined by estimating what the price of those equity on the measurement date in an arm's length transaction between knowledgeable, willing parties at the date of granting.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under the UAE Labour Laws.

With respect to its national employees, the Company makes contributions to UAE pension and retirement fund calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Zakat

Zakat is provided for in accordance with the Company's articles of association. The rate of Zakat expense for the year is calculated at a rate of 2.575% of net profit, in accordance with approval of the Board of Directors advised by the company's Shari'a Committee.

Foreign currencies

Transactions in foreign currencies are recorded 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 the income statement.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factor, including expectations of future events that are believed to be reasonable under circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is outlined below:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, financial assets at fair value through profit or loss or available for sale.

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

Impairment of assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected losses that have been incurred) discounted at the financial asset's original effective profit rate (i.e. effective rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Al Safwa Islamic Financial Services (PJSC)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

3 ESTABLISHMENT EXPENSES

	2007	<i>From 11</i>
	AED	<i>March to 31</i>
		<i>December</i>
		2006
		AED
Establishment cost	-	10,387,348
Shares premium	-	(3,834,698)
	<u>-</u>	<u>6,552,650</u>

4 FINANCE COSTS

	2007	<i>From 11</i>
	AED	<i>March to 31</i>
		<i>December</i>
		2006
		AED
Murabaha expense	-	228,000

5 OTHER INCOME

	2007	<i>From 11</i>
	AED	<i>March to 31</i>
		<i>December</i>
		2006
		AED
Profit from Murabaha	594,480	2,688,694
Other income	569,094	136,097
	<u>1,163,574</u>	<u>2,824,791</u>

6 PROFIT (LOSS) FOR THE YEAR/PERIOD

The profit (loss) for the year/period is stated after charging:

	2007	<i>From 11</i>
	AED	<i>March to 31</i>
		<i>December</i>
		2006
		AED
Staff costs	5,793,259	2,623,922
Depreciation	885,136	526,585
Rental - operating leases	1,048,501	1,078,713

Al Safwa Islamic Financial Services (PJSC)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

7 PROPERTY, PLANT AND EQUIPMENT

	<i>Computers AED</i>	<i>Furniture and fixtures AED</i>	<i>Capital Work In Progress AED</i>	<i>Total AED</i>
Cost				
At 1 January 2007	2,083,075	481,572	-	2,564,647
Additions for the year	111,414	4,272	8,240,000	8,355,686
At 31 December 2007	<u>2,194,489</u>	<u>485,844</u>	<u>8,240,000</u>	<u>10,920,333</u>
Depreciation				
At 1 January 2007	466,502	60,083	-	526,585
Charge for the year	725,155	159,981	-	885,136
At 31 December 2007	<u>1,191,657</u>	<u>220,064</u>	<u>-</u>	<u>1,411,721</u>
Net carrying amount At 31 December 2007	<u>1,002,832</u>	<u>265,780</u>	<u>8,240,000</u>	<u>9,508,612</u>
	<i>Computers AED</i>	<i>Furniture and fixtures AED</i>	<i>Capital Work In Progress AED</i>	<i>Total AED</i>
Cost				
Additions and balance at 31 December 2006	<u>2,083,075</u>	<u>481,572</u>	<u>-</u>	<u>2,564,647</u>
Depreciation				
Charge for the period and balance at 31 December 2006	<u>466,502</u>	<u>60,083</u>	<u>-</u>	<u>526,585</u>
Net carrying amount At 31 December 2006	<u>1,616,573</u>	<u>421,489</u>	<u>-</u>	<u>2,038,062</u>

The depreciation charge for the period has been allocated in the income statement to the general and administrative expenses.

Capital work in progress pertains to a villa in Abu Dhabi registered of the name of the chairman, who has confirmed that it is registered in his name on behalf and for the benefit of the Company.

8 INVESTMENT PROPERTIES

Investment properties comprise undeveloped land as follows

	<i>2007 AED</i>	<i>2006 AED</i>
Undeveloped Land		
Lands in the UAE	14,625,072	63,364,554
Land in Oman	-	2,923,251
Land in Jordan	-	350,000
	<u>14,625,072</u>	<u>66,637,805</u>

The plots of land in Oman were registered in the name of a shareholder. The land in Jordan was registered in the name of third party. These were disposed off during the year

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

8 INVESTMENT PROPERTIES (continued)

The movement in investment properties during the year was as follows:

	2007 AED	2006 AED
Balance at 1 January	66,637,805	-
Purchases during the period	100,731	57,521,862
Disposal during the period	(56,743,251)	(507,210)
Changes in fair value	4,629,787	9,623,153
Balance at 31 December	<u>14,625,072</u>	<u>66,637,805</u>

9 DEVELOPMENT PROPERTIES

Developed properties in the UAE comprise a number of commercial units acquired by the Company in a property under construction in Dubai. The Company's estimated capital commitments to acquire the developed properties in the UAE at the balance sheet date amount to AED 5,604,383.

	2007 AED	2006 AED
Properties in the UAE	8,406,618	-
	<u>8,406,618</u>	<u>-</u>

10 TRADING SECURITIES

Trading securities comprises quoted and un-quoted shares as follows:

	2007 AED	2006 AED
Quoted shares	1,931,897	16,166,925
Un-quoted shares	3,904,238	4,168,095
Balance as at 31 December	<u>5,836,135</u>	<u>20,335,020</u>

Quoted shares are traded in the following exchange markets:

	2007 AED	2006 AED
Dubai Financial Market	1,668,385	12,220,627
Abu Dhabi Securities Market	31,212	743,460
Amman Securities Exchange Market	-	783,838
Doha Securities Market	232,300	921,750
Bahrain Stock Exchange Market	-	1,497,250
	<u>1,931,897</u>	<u>16,166,925</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

10 TRADING SECURITIES (continued)

The movement in trading securities is as follows:-

	<i>2007</i> <i>AED</i>	<i>2006</i> <i>AED</i>
Balance at 1 January	20,335,020	-
Purchases during the period	1,227,782	37,548,583
Disposal during the period	(17,303,042)	(11,879,007)
Changes in fair value	1,576,375	(5,334,556)
Balance at 31 December	<u>5,836,135</u>	<u>20,335,020</u>

Investments in Doha Securities Market are registered in the name of an Executive Committee member, who has confirmed that they are registered in his name on behalf and for the benefit of the Company.

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2007</i> <i>AED</i>	<i>2006</i> <i>AED</i>
Receivables from customers	15,436,732	196,655
Margin against bank guarantees	15,000,000	15,000,000
Due from financial markets	12,800,757	-
Due from related parties (Note 18)	7,224,869	219,231
Prepayments	682,801	507,458
Refundable deposits	20,000	20,000
Other receivables	2,108,342	880,775
	<u>53,273,501</u>	<u>16,824,119</u>

The margin against bank guarantees earns murabaha income at a rate decided by the Islamic bank holding the margin, which is commensurate with rates on similar margins.

Other receivable contains an amount receivable from a foreign brokerage house held in the name of Executive Committee member, who has confirmed that it is held in his name on behalf, and for the benefits of the company.

As at 31 December 2007, trade receivables at a nominal value of AED 164,214 (2006: Nil) were impaired. Movement in the allowance for impairment of receivables was as follows:

	<i>2007</i> <i>AED</i>	<i>2006</i> <i>AED</i>
At 1 January	-	-
Charge for the year	164,214	-
At 31 December	<u>164,214</u>	<u>-</u>

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is the practice of the Company to consider the customer available shares as collateral over receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

12 BANK BALANCES AND CASH

	2007	2006
	AED	AED
Customers' transactions accounts'	77,134,282	3,040,318
Other bank balances and cash	5,089,102	14,789,138
	<u>82,223,384</u>	<u>17,829,456</u>

Customers' transactions accounts include a total balance of AED 35,398,944 that is restricted for use against advances from customers of AED 33,835,777 and amounts due to related parties of AED 1,563,167 (Note 17).

13 SHARE CAPITAL

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	2007	2006	2007	2006
	AED	AED	AED	AED
129,841,748 shares of AED 1 each	<u>129,841,748</u>	<u>129,841,748</u>	<u>129,841,748</u>	<u>129,841,748</u>

14 STATUTORY RESERVE

As required by the UAE Company Law and the Company's article of association, 10% of the profit for the year has been transferred to statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except as stipulated by law.

15 GENERAL RESERVE

As required by the Company's article of association, 10% of the profit for the year has been transferred to general reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital or at the discretion of the shareholders. This reserve is distributable at the discretion of the shareholders.

16 EMPLOYEES' BENEFITS

Employees' End of Service Benefits

Movements in the provision recognised in the balance sheet are as follows:

	2007	2006
	AED	AED
Provision as at the beginning of the year	43,330	-
Provided during the year	129,391	43,330
Provision as at 31 December	<u>172,721</u>	<u>43,330</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

16 EMPLOYEES' BENEFITS (continued)

Employee Performance Share Program

During 2006, the company established an Employee Performance Share Program ("The Program") to recognise and retain good performing staff. The program gives the employee the right to purchase the Company's shares at par value. 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 company issued share options to a number of employees. The options give the employees the right to purchase AED 820,000 (2006: AED 350,000) shares at par value of AED 1 per share. The fair value of the options was nil as of 31 December 2007.

A related party acquired 2,000,000 shares of the company's shares on behalf of the company for the purpose of Employee Performance Share Program. The related party has confirmed that it is holding these shares on behalf of the company for this purpose.

17 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2007</i> <i>AED</i>	<i>2006</i> <i>AED</i>
Advances from customers (Note 12)	33,835,777	463,660
Amounts due to related parties (Notes 12&18)	1,563,167	382,040
Accrued expenses	879,441	221,095
Other liabilities	530,804	1,736,158
Zakat liability	416,886	-
	<u>37,223,075</u>	<u>2,802,953</u>

18 RELATED PARTY TRANSACTIONS

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

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

	<i>2007</i> <i>AED</i>	<i>2006</i> <i>AED</i>
<i>Income statement</i>		
<i>Shareholders</i>		
Commission income	2,449,741	-
Profit on sale of investment property	2,753,600	-
General and admin expenses	-	173,913
Establishment expenses, net of share premium (note 3)	-	6,552,650

b) Compensation of key management personnel

Short term	??	1,299,997
Long term benefits	??	11,162
	<u>??</u>	<u>1,311,159</u>

Al Safwa Islamic Financial Services (PJSC)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

18 RELATED PARTY TRANSACTIONS (continued)

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

	2007 AED	2006 AED
<i>Amounts due from related parties (Note 11)</i>		
Shareholders	7,224,869	219,231
<i>Amounts due to related parties (Note 17)</i>		
Shareholders	1,563,167	382,040

19 COMMITMENTS AND CONTINGENCIES

Capital Commitments

The Company's has capital commitments contracted for at the balance sheet date as follows:

	2006 AED	2005 AED
Development properties	5,604,383	-

Contingent liabilities

At 31 December 2007, the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 50,000,000 (2006: AED 50,000,000).

20 RISK MANAGEMENT

Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets (cash margin account).

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2007.

There is no impact on the Company's equity.

	Increase/ decrease in basis points	Effect on profit for the year AED
2007 AED	+15 -15	
2006 AED	+15 -15	