

AL SAFWA ISLAMIC FINANCIAL SERVICES (PJSC)
DUBAI - UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

Al Safwa Islamic Financial Services (PJSC)
Dubai - United Arab Emirates

**Financial Statements and
Independent Auditor's Report
for the year ended December 31, 2008**

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Independent Auditor's Report

The Shareholders

Al Safwa Islamic Financial Services (PJSC)

Dubai

United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Al Safwa Islamic Financial Services (PJSC)**, (the "Company"), which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements as of December 31, 2007, were audited by another auditor whose report dated January 23, 2008 expressed a scope limitation for not presenting the documents relating to purchase of land in Oman which was resold during 2007 with a profit of AED 378,401 (refer Note 21).

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. 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Independent Auditor's Report to the Shareholders of Al Safwa Islamic Financial Services (PJSC),
Dubai - continued (page 2 of 2)**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Al Safwa Islamic Financial Services (PJSC)**, as of December 31, 2008, 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

Also, in our opinion, the Company has maintained proper books of accounts. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Company's Articles of Association which might have materially affected the financial position of the Company or its financial performance.

Dubai
January 29, 2009

Deloitte + Touche

Balance Sheet
As of December 31, 2008
(In Arab Emirates Dirhams)

	Note	2008	2007
ASSETS			
Current assets			
Cash and cash equivalents	5	20,085,729	82,223,384
Held-for-trading investments	6	472,732	5,836,135
Trade and other receivables	7	69,033,850	53,273,501
Total current assets		89,592,311	141,333,020
Non-current assets			
Property and equipment	8	6,568,320	9,508,612
Investment properties	9	14,249,127	14,625,072
Properties under development	10	18,150,036	8,406,618
Total non-current assets		38,967,483	32,540,302
Total Assets		128,559,794	173,873,322
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	11	5,746,114	37,223,075
Non-current liabilities			
Employees' end of service indemnity	12	189,189	172,721
Total Liabilities		5,935,303	37,395,796
Shareholders' Equity			
Share capital	14	129,841,748	129,841,748
Employees performance share program	17	(2,000,000)	(2,000,000)
Statutory reserve	15	1,565,935	1,565,935
Legal reserve	16	1,565,935	1,565,935
Retained earnings		(8,349,127)	5,503,908
Total Shareholders' Equity		122,624,491	136,477,526
Total Liabilities and Shareholders' Equity		128,559,794	173,873,322

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 3 to 22 were approved by the Shareholders on January 29, 2009 and signed on their behalf by:

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Income Statement

For the year ended December 31, 2008

(In Arab Emirates Dirhams)

	<u>Note</u>	<u>2008</u>	<u>2007</u>
Commission income		7,231,858	16,730,847
General and administrative expenses	16	(24,072,138)	(14,747,172)
Gross (loss)/profit for the year		(16,840,280)	1,983,675
Other income		957,607	1,163,574
Changes in fair value of held for trading investments		(1,459,165)	1,576,375
Gain on sale of property		7,760,000	-
Loss on sale of held for trading investments		-	(882,594)
Gain on sale of investment properties		-	7,602,416
Change in fair value of investment properties		(375,945)	4,629,787
Net (loss)/ profit before Zakat		(9,957,783)	16,073,233
Zakat expense		-	(413,886)
Net (loss)/profit for the year		(9,957,783)	15,659,347

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Shareholders' Equity
For the year ended December 31, 2008
(In Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Employees performance share program</u>	<u>Total</u>
Balance at December 31, 2006	129,841,748	-	-	(7,023,569)	(2,000,000)	120,818,179
Net profit for the year	-	-	-	15,659,347	-	15,659,347
Transfer to statutory reserve	-	1,565,935	-	(1,565,935)	-	-
Transfer to general reserve	<u>-</u>	<u>-</u>	<u>1,565,935</u>	<u>(1,565,935)</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2007	129,841,748	1,565,935	1,565,935	5,503,908	(2,000,000)	136,477,526
Net loss for the year	-	-	-	(9,957,783)	-	(9,957,783)
Dividends paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,895,252)</u>	<u>-</u>	<u>(3,895,252)</u>
Balance at December 31, 2008	<u><u>129,841,748</u></u>	<u><u>1,565,935</u></u>	<u><u>1,565,935</u></u>	<u><u>(8,349,127)</u></u>	<u><u>(2,000,000)</u></u>	<u><u>122,624,491</u></u>

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement
For the year ended December 31, 2008
(In Arab Emirates Dirhams)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net (loss)/profit for the year	(9,957,783)	15,659,347
Adjustments for:		
Depreciation	916,760	885,136
Allowance for doubtful debts	11,335,786	164,214
Provision for employees' end of service indemnity	132,435	129,391
Changes in fair value of trading securities	1,459,165	(1,576,375)
Change in fair value of investment properties	375,945	(4,629,787)
Loss on sale of held for trading investments	-	882,594
Gain on sale of property and equipment	(7,760,000)	-
Gain on sale of investment properties	-	(7,602,416)
Profit from Murabaha	(235,145)	(594,480)
Operating cash flows before changes in operating assets and liabilities	(3,732,837)	3,317,624
Increase in trade and other receivables	(20,802,638)	(36,613,596)
(Decrease)/increase in trade and other payables	(31,476,961)	34,420,122
Cash (used in)/generated from operations	(56,012,436)	1,124,150
Employees' end of service indemnity paid	(115,967)	-
Net cash (used in)/generated from operating activities	(56,128,403)	1,124,150
Cash flow from investing activities		
Purchase of property and equipment	(6,216,468)	(8,355,686)
Proceeds from sale of property and equipment	16,000,000	-
Purchase of investments property	-	(100,731)
Additions to properties under development	(9,743,418)	(8,406,618)
Purchase of held-for-trading investments	-	(1,227,782)
Proceeds from sale of held-for- trading investments	3,904,238	16,420,448
Proceeds from sale of investment properties	-	64,345,667
Advance given against investment in IPO	(6,293,498)	-
Profit from Murabaha received	235,145	594,480
Net cash (used in)/from investing activities	(2,114,001)	63,269,778
Cash flow from financing activities		
Dividends paid	(3,895,252)	-
Net cash used in financing activities	(3,895,252)	-
Net (decrease)/increase in cash and cash equivalents	(62,137,656)	64,393,928
Cash and cash equivalents at beginning of the year	82,223,384	17,829,456
Cash and cash equivalents at end of the year - Note (5)	20,085,729	82,223,384

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended December 31, 2008

1. Establishment and operations

Al Safwa Islamic Financial Services (PJSC) (the "Company"), a private joint stock company, was incorporated on March 11, 2006 in accordance with the provisions of UAE Federal Companies Law No. 8 of 1984 (as amended).

The address of the registered office of the Company is P.O. Box 185085, Dubai, United Arab Emirates.

The principal activity of the Company is brokerage services in local shares and bonds.

2. Adoption of new and revised Standards

Interpretations effective in the current period

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 - IFRS-2: *Group Treasury Shares Transactions*, IFRIC 12 *Service Concession Arrangements*, and IFRIC 14 – IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The adoption of these Interpretations has not led to any changes in the Company's accounting policies.

Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following Standards and Interpretations were in issue but not yet effective:

IAS 1	(Revised) <i>Presentation of financial statements</i> (effective for annual periods beginning on or after January 1, 2009);
IAS 23	(Revised) <i>Borrowing Costs</i> (effective for annual periods beginning on or after January 1, 2009);
IAS 27	(Revised) <i>Consolidated and Separate Financial Statements</i> (effective for annual periods beginning on or after January 1, 2009);
IAS 32	(Revised) <i>Financial Statements: Presentation</i> (effective for annual periods beginning on or after January 1, 2009);
IAS 39	(Revised) <i>Financial Instruments: Recognition and Measurement</i> (effective for annual periods beginning on or after July 1, 2008);

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

2. Adoption of new and revised Standards (continued)

Interpretations in issue not yet adopted - continued

IFRS 1	(Revised) <i>First-time Adoption of International Financial Reporting Standards</i> (effective for annual periods beginning on or after January 1, 2009);
IFRS 2	(Revised) <i>Share-based Payment</i> (effective for annual periods beginning on or after January 1, 2009);
IFRS 3	(Revised) <i>Business Combinations</i> (effective for annual periods beginning on or after July 1, 2009);
IFRS 7	(Revised) <i>Financial Instruments: Disclosures</i> (effective for annual periods beginning on or after July 1, 2008);
IFRS 8	<i>Operating Segments</i> (effective for annual periods beginning on or after January 1, 2009);
IFRIC 13	<i>Customer Loyalty Programmes</i> (effective for annual periods beginning on or after July 1, 2008);
IFRIC 15	<i>Agreements for the Construction of Real Estate</i> (effective for annual periods beginning on or after January 1, 2009);
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i> (effective for annual periods beginning on or after October 1, 2008); and
IFRIC 17	<i>Distribution of Non-cash Assets to Owners</i> (effective for annual periods beginning on or after July 1, 2009).

The directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are presented in United Arab Emirates Dirham (AED) since that is the currency of the country in which the Establishment is domiciled. The principal accounting policies adopted are set out below.

Accounting convention and basis of preparation

The financial statements have been prepared on the historical cost basis except for some financial instruments which are stated at fair value.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Revenue recognition

Commission income comprises of commission earned on sale and purchase of shares and bonds for customers' accounts, on a trade date basis.

Held-for-trading investments

Investments held for trading are financial assets acquired for the purpose of generating a profit from short-term price fluctuations.

Investments held for trading are measured initially at cost, including transaction cost. Subsequent to initial recognition, all investments held for trading are measured at fair value. The fair value of investments held for trading is based on their quoted market price at the balance sheet date and in the case of units held in investment funds, the fair value is based on valuation of the units as determined by the fund manager.

Gains and losses arising from a change in the fair value of investments held for trading are recognized in the income statement.

Investment properties

Investment properties are initially recognized at cost, being at 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 unrealized 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 capitalized 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.

Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising from foreign currency transactions are included in the income statement.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

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.

Defined contribution plan

UAE national employees of the Company in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme established pursuant to Federal Labor Law No. 7 of 1999. The only obligation of the Company in the UAE with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the income statement.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

With the exception of Capital Work in Progress, depreciation is charged, so as to write-off the cost over their estimated useful lives, using the straight-line method, as follows:

Furniture and Fixtures	3 years
Computers	3 years

Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Impairment of tangible assets - continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Statutory reserve

In accordance with United Arab Emirates Federal Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

General reserve

As required by the Company's article of association, 10 % of the profit for the year has been transferred to legal 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 share holders. This reserve is attributable at the discretion of the shareholders

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and short term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the UAE labour laws and is based on current remuneration and cumulative years of service at the balance sheet date.

Employees' performance share program

IFRS 2 "Share-Based Payment" requires an expense to be recognized 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 recognized, 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).

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

3. Significant accounting policies (continued)

Employees' performance share program - continued

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.

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

Other receivables

Trade receivables are stated at amortised cost as reduced by an appropriate allowance for estimated doubtful debts.

Trade payables

Trade payables are stated at amortised cost.

Amounts due from/to related parties

Amounts due from/to related parties are stated at amortised cost.

4. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in Note 3, management has made the following judgment that has the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

At the balance sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The recoverable amount is estimated by management for an individual asset or for the cash generating unit to which the asset belongs to in order to determine the extent of the impairment loss.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

4. Critical accounting judgments and key sources of estimation uncertainty
(continued)

Critical judgments in applying the Company's accounting policies - continued

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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below.

Property and equipment

The cost of property and equipment is depreciated over the estimated useful life of the asset. The estimated useful life is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

5. Cash and cash equivalents

	December 31,	
	2008	2007
	AED	AED
Customers' transactions accounts	19,210,449	77,134,282
Other bank balances and cash	875,280	5,089,102
	20,085,729	82,223,384

Customer's transactions accounts is a total balance of AED 4,279,639 (2007: AED 35,398,944) that is restricted for use against advances from customers of AED 4,140,764 (2007: AED 33,383,577) and amounts due to related parties of AED 138,875 (2007: AED 1,563,167) (Note 13).

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

6. Held-for-trading investments

	December 31,	
	2008	2007
	AED	AED
Fair value, at the beginning of the year	5,836,135	20,335,020
Purchases during the year	-	1,227,782
Disposals during the year	(3,904,238)	(17,303,042)
(Decrease)/increase in fair value during the year	(1,459,165)	1,576,375
Fair value, at the end of the year	472,732	5,836,135
	2008	2007
	AED	AED
Quoted shares	472,732	1,931,897
Un-quoted shares	-	3,904,238
Balance as at December 31,	472,732	5,836,135

7. Trade and other receivables

	December 31,	
	2008	2007
	AED	AED
Receivable from customers (i)	39,685,301	15,600,946
Less: Allowance for doubtful debts	(11,500,000)	(164,214)
	21,185,301	15,436,732
Other financial assets-margin deposits (ii)	15,000,000	15,000,000
Due from financial markets	9,009,234	12,800,758
Advance against investment (iii)	6,293,498	-
Due from related parties (i)	9,104,333	7,224,870
Prepayments	780,952	682,802
Refundable deposits	20,000	20,000
Other receivables	640,532	2,108,339
	69,033,850	53,273,501

- (i) These include amounts advanced to customers and related parties to execute trades in the stock markets.
- (ii) The margin against bank guarantee earns Murabaha income at a rate decided by the Islamic bank holding the margin, which is commercial with rates on similar margin.
- (iii) This represents subscription amount paid for the IPO of National Mass Housing Real Estate. The allotment of shares is in process.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

7. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	<u>2008</u> AED	<u>2007</u> AED
At January 1,	164,214	-
Charge for the year	<u>11,335,786</u>	<u>164,214</u>
At December 31,	<u><u>11,500,000</u></u>	<u><u>164,214</u></u>

8. Property and equipment

	<u>Computers</u> AED	<u>Furniture and fixtures</u> AED	<u>Office buildings</u> AED	<u>Capital work-in- progress</u> AED	<u>Total</u> AED
Cost					
At December 31, 2006	2,083,075	481,572	-	-	2,564,647
Additions	<u>111,414</u>	<u>4,272</u>	<u>8,240,000</u>	<u>-</u>	<u>8,355,686</u>
At December 31, 2007	2,194,489	485,844	8,240,000	-	10,920,333
Additions	201,468	-	-	6,015,000	201,468
Disposals and write off during the year	<u>-</u>	<u>-</u>	<u>(8,240,000)</u>	<u>-</u>	<u>(8,240,000)</u>
At December 31, 2008	<u>2,395,957</u>	<u>485,844</u>	<u>-</u>	<u>6,015,000</u>	<u>8,896,801</u>
Accumulated depreciation					
At December 31, 2006	466,502	60,083	-	-	526,585
Charge for the year	<u>725,155</u>	<u>159,981</u>	<u>-</u>	<u>-</u>	<u>885,136</u>
At December 31, 2007	1,191,657	220,064	-	-	1,411,721
Charge for the year	<u>752,158</u>	<u>164,602</u>	<u>-</u>	<u>-</u>	<u>916,760</u>
At December 31, 2008	<u>1,943,815</u>	<u>384,666</u>	<u>-</u>	<u>-</u>	<u>2,328,481</u>
Carrying amount					
At December 31, 2008	<u>452,154</u>	<u>101,178</u>	<u>-</u>	<u>6,015,000</u>	<u>6,568,320</u>
At December 31, 2007	<u>1,002,832</u>	<u>265,780</u>	<u>8,240,000</u>	<u>-</u>	<u>9,508,612</u>

During the ended December 31, 2008, the Company disposed off an office building with a carrying amount of AED 8.2 million for proceeds of AED 16 million.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

9. Investment properties

Investment properties comprise undeveloped land as follows:

	December 31,	
	2008	2007
	AED	AED
Undeveloped Land		
Lands in the UAE	14,249,127	14,625,072

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

	2008	2007
	AED	AED
Balance at January 1,	14,625,072	66,637,805
Purchases during the year	-	100,731
Disposal during the year	-	(56,743,251)
Changes in fair value	(375,945)	4,629,787
	14,249,127	14,625,072

10. Properties under development

Properties under development comprise as follows:

	December 31,	
	2008	2007
	AED	AED
Properties in the UAE	18,150,036	8,406,618

The Company's estimated future commitments in respect of installments to acquire the properties in the UAE at the balance sheet date amount to AED 2,802,181 (2007: AED 5,604,383).

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

11. Trade and other payables

	December 31,	
	2008	2007
	AED	AED
Advance from customers (Note 5)	4,140,764	33,835,777
Due to financial markets	86,500	-
Amounts due to related parties (Note 5)	138,875	1,563,167
Other liabilities	1,379,975	1,407,245
Zakat Liability	-	416,886
	5,746,114	37,223,075

12. Employees' end of service benefits

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

	December 31,	
	2008	2007
	AED	AED
Provision at the beginning of the year	172,721	43,330
Provided during the year	132,435	129,391
Paid during the year	(115,967)	-
Provision as at the end of the year	189,189	172,721

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

13. Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise share holders, directors and key management personnel of the company and companies under common ownership and/or common management and control and key management personnel.

	December 31,	
	2008	2007
	AED	AED
a) Transactions with shareholders		
Commission income	274,461	2,449,741
Profit on sale of investment property	-	2,753,600
	274,461	5,203,341
b) Compensation of key management personnel		
Short term benefits	1,265,000	613,607
Long term benefits	51,270	-
	1,316,270	613,607

c) At the balance sheet date, balances with related parties were as follows:

	December 31,	
	2008	2007
	AED	AED
Due from related parties-Shareholders	9,104,333	7,224,869
Due to related parties- Shareholders	138,875	1,563,167

Due from related parties – shareholders includes past due balances of AED 5.8 million which are not provided for as these are considered to be recoverable.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

14. Share capital

	December 31,	
	2008	2007
	AED	AED
129,841,748 issued and fully paid shares of AED 1 each	129,841,748	129,841,748

15. Statutory reserve

In accordance with United Arab Emirates Federal Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

16. Legal Reserve

As required by the Company's article of association, 10 %of the profit for the year has been transferred to legal 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 share holders. This reserve is attributable at the discretion of the shareholders

17. Employees performance share program

During 2006, the Company established an Employee Performance Share Program (the "Program") to recognize 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 50,000 shares (2007: 820,000 shares) at par value of AED 1 per share. The fair value of the option was nil (2007: AED nil) as of 31 December 2008.

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

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

18. General and administrative expenses

	Year ended December 31,	
	2008	2007
	AED	AED
Employees' salaries and benefits	4,452,383	5,636,846
Market expenses	325,797	253,247
Bad debt expenses	3,000,000	164,214
Rent expenses	1,080,002	1,048,501
Business promotion expenses	1,548,802	3,416,154
Bonus	280,000	64,500
Professional fees	812,675	516,254
Advertisement expenses	45,516	514,399
Repair and maintenance	284,991	257,499
Printing and stationery	54,794	62,548
End of service expenses	132,435	131,091
Depreciation expenses	916,760	885,136
Utilities	38,509	26,402
Telephone and post expenses	435,063	687,252
Bank charges	446,046	309,299
Other expenses	1,718,365	773,831
	15,572,138	14,747,172

19. Commitments and contingent liabilities

	December 31,	
	2008	2007
	AED	AED
Letters of guarantee	50,000,000	50,000,000

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

19. Commitments and contingent liabilities (continued)

	<u>2008</u>	<u>2007</u>
	<u>AED</u>	<u>AED</u>
Capital commitments (refer note 10)	<u>2,802,181</u>	<u>5,604,383</u>

20. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders and complying with statutory requirements to maintain minimum capital. The Company's overall strategy remains unchanged from previous year.

The Company manages its capital structure and makes adjustments to it , in the light of changes in economic conditions. To maintain or adjust the capital structure , the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change were made in the objectives, policies or processes during the years end December 31, 2008 and December 31, 2007. Capital comprises share capital, statutory reserve, general reserve, employees performance share program and retained earnings, and is measured at AED 131,124,49 as at December 31, 2008 (2007: AED 136,477,526).

Interest rate risk

At the balance sheet date, the Company's exposure to interest rate risk is limited to its interest bearing short term fixed deposits. These deposits are bearing interest in line with the market rate.

Exchange rate risk

There are no exchange rate risks as all financial assets and financial liabilities are denominated in Arab Emirates Dirhams.

Credit risk

With respect to credit risk arising from the financial assets of the Company, including cash and cash equivalents and trade receivables with positive values, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company is not adequately monitoring the credit risk.

Notes to the Financial Statements (continued)
For the year ended December 31, 2008

20. Financial instruments (continued)

Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available.

Fair values

The fair values of the financial assets and liabilities at year-end approximate their carrying amounts in the balance sheet.

Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities

Financial assets consist of bank balances, accounts receivable, and financial assets at fair value through profit or loss. Financial liabilities consist of accounts payable and accruals and other payables. As of December 31, 2008, the fair values of financial instruments are not materially different from their carrying values.

21. Prior year audit report

The 2007 audit report had a scope limitation, as no supporting documents were provided for the purchase of an investment property in Oman during the year ended December 31, 2006 with a value of AED 2,923,251 which was sold during the year for AED 3,301,652. In the absence of such supporting documents, the previous auditors were unable to satisfy their selves with regard to the profit realized on the sale of the investment property included in the 2007 financial statements of AED 378,401.

22. Comparative amounts

Certain amounts for the prior year were reclassified to conform to current year presentation.