

**DUBAI FINANCIAL MARKET (DFM) - PJSC
DUBAI - UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007**

Dubai Financial Market (DFM) - PJSC
Dubai - United Arab Emirates

Financial Statements and Independent Auditor’s Report
For the Year Ended December 31, 2007

Table of Contents

	<u>Page</u>
Independent Auditor’s Report	1 & 2
Balance Sheet	3
Income Statement	4
Statements of Changes in Shareholders’ Equity	5
Cash Flow Statement	6
Notes to the Financial Statements	7 - 35

Ref.:10343FS07-Dec

Independent Auditor's Report

The Shareholders
Dubai Financial Market (DFM) - PJSC
Dubai
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Dubai Financial Market (DFM) - PJSC, Dubai, United Arab Emirates**, which comprise the balance sheet as at December 31, 2007, 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.

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 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 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.

contd....

Independent Auditor's Report to the Shareholders of Dubai Financial Market (DFM) - PJSC, Dubai - (page 2 of 2)

Emphasis of matter

We direct attention to Note 16 to the financial statements whereby the Company and in compliance with IFRS 3 requirements engaged an independent valuer to determine the purchase price allocation of the identifiable intangible assets arising from its acquisition of **Dubai Financial Market (DFM)** effective January 1, 2007. The valuation report dated February 3, 2008; indicate that the total fair value of identifiable intangible assets (excluding goodwill) amount to AED 2.95 billion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Dubai Financial Market (DFM) - PJSC, Dubai, United Arab Emirates** as of December 31, 2007, 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 account. 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 UAE Federal Commercial Companies Law No. 8 of 1984, as amended, or of the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations for the year.

Deloitte & Touche



Saba Sindaha (Reg. No. 410)

Dubai
February 13, 2008

Balance Sheet

As of December 31, 2007

(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>2007</u>
ASSETS		
Current assets		
Cash and bank balances	5	154,924
Islamic investment deposits	6	2,158,252
Prepaid expenses and other receivables	7	56,214
Other financial assets	8	490,550
Due from a related party	13	1,097
Total current assets		<u>2,861,037</u>
Non-current assets		
Other financial assets	8	1,295,769
Property and equipment	9	312,714
Intangible assets	10 & 16	2,874,800
Goodwill	11	2,878,874
Total non-current assets		<u>7,362,157</u>
Total Assets		<u>10,223,194</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Payables and accrued expenses	12	288,832
Due to a related party	13	48,500
Total current liabilities		<u>337,332</u>
Non-current liabilities		
Provision for employees' end of service indemnity	14	1,958
Deferred income - Government grant	9	280,000
Total non-current liabilities		<u>281,958</u>
Total Liabilities		<u>619,290</u>
Shareholders' Equity		
Share capital	15 (a)	8,000,000
Treasury shares	15 (b)	(55,864)
		7,944,136
Net initial public offering surplus	18	31,608
Investments revaluation reserve	17 & 8	188,553
Statutory and other reserves	17	431,883
Retained earnings		1,007,724
Total Shareholders' Equity		<u>9,603,904</u>
Total Liabilities and Shareholders' Equity		<u>10,223,194</u>

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

The financial statements on pages 3 to 35 were approved and signed by the Chairman, on behalf of the Board of Directors, on February 13, 2008.



Income Statement

For the year ended December 31, 2007

(In Thousand Arab Emirates Dirhams)

	<u>Note</u>	<u>2007</u>
Revenues		
Trading commission fees	19	791,414
Brokerage fees	19	20,053
Ownership transfer and mortgage fees	19	12,986
Other fees	19	<u>2,849</u>
Operating income		827,302
Net investment revenue	20	119,224
Gain from revaluation of investments in marketable securities held for trading	8	190,412
General and administrative expenses	22	(89,503)
Amortization of intangible assets	10	(<u>75,854</u>)
Net profit for the year before initial public offering income		971,581
Initial public offering income	21	<u>468,026</u>
Net profit for the year		<u>1,439,607</u>
Earning per share - AED	23	<u>0.18</u>

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

Dubai Financial Market (DFM) – PJSC
Dubai -United Arab Emirates

5

Statement of Changes in Shareholders' Equity
For the year ended December 31, 2007
(In Thousand Arab Emirates Dirhams)

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Net initial public offering surplus</u>	<u>Investments revaluation reserve</u>	<u>Statutory and other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Authorized share capital during the year	8,000,000	-	-	-	-	-	8,000,000
Treasury shares	-	(55,864)	-	-	-	-	(55,864)
	<u>8,000,000</u>	<u>(55,864)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,944,136</u>
Net initial public offering surplus (Note 18)	-	-	31,608	-	-	-	31,608
Gain from revaluation of available for sale investments recognised directly in equity	-	-	-	188,553	-	-	188,553
Net income recognised directly in shareholders' equity	-	-	31,608	188,553	-	-	220,161
Net profit for the year	-	-	-	-	-	1,439,607	1,439,607
Transfer to statutory and other reserves (Note 17)	-	-	-	-	431,883	(431,883)	-
Total recognized income	<u>-</u>	<u>-</u>	<u>31,608</u>	<u>188,553</u>	<u>431,883</u>	<u>1,007,724</u>	<u>1,659,768</u>
Balance as of December 31, 2007	<u>8,000,000</u>	<u>(55,864)</u>	<u>31,608</u>	<u>188,553</u>	<u>431,883</u>	<u>1,007,724</u>	<u>9,603,904</u>

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

Cash Flow Statement
For the year ended December 31, 2007
(In Thousand Arab Emirates Dirhams)

	<u>2007</u>
Cash flows from operating activities	
Net profit for the year	1,439,607
Adjustments for:	
Depreciation of property and equipment	9,746
Provision for employees' end of service indemnity	904
Amortization of intangible assets	75,854
Gain on sale of available for sale investments	(136)
Gain from revaluation of investment in marketable securities held for trading	(190,412)
Initial public offering income	(468,026)
Return on Islamic investment deposits	(118,019)
Operating profit before changes in operating assets and liabilities	749,518
Net increase in prepaid expenses and other receivables	(19,968)
Net increase in payables and accrued expenses	<u>109,008</u>
Cash generated from operations	838,558
Employees' end of service indemnity paid	(87)
Net cash generated from operating activities	<u>838,471</u>
Cash flows from investing activities	
Proceeds from sale of other financial assets	16,070
Purchases of other financial assets	(865,747)
Purchase of property and equipment	(14,266)
Net Islamic investment deposits	(399,802)
Revenue received from Islamic investments deposits	<u>99,269</u>
Net cash used in investing activities	<u>(1,164,476)</u>
Cash flows from financing activities	
Initial public offering income received	468,026
Net initial public offering surplus	31,608
Net receipt from Dubai Government	<u>557,931</u>
Net cash generated from financing activities	<u>1,057,565</u>
Net increase in cash and cash equivalents	731,560
Cash and cash equivalents, resulting from the acquisition of Dubai Financial Market (Note 16)	<u>581,814</u>
Cash and cash equivalents, end of year (Note 24)	<u><u>1,313,374</u></u>

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

Notes to the Financial Statements
For the year ended December 31, 2007

1. Establishment and operations

Dubai Financial Market (DFM) - PJSC (the “Company”) is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the UAE Federal law No. 8 for the year 1984 and its amendments. The Company listed its shares on the Dubai Financial Market (DFM) on March 7, 2007.

The Company acquired all the assets, liabilities, and operations of Dubai Financial Market (a wholly owned entity of the Dubai Government), (Notes 15 and 16) as of January 1, 2007, through a contribution in kind by the Government of Dubai for the full share capital of the Company amounting AED 8,000,000,000.

Twenty percent (20%) of the Company’s shares were subsequently offered for public subscription, with the remaining 80% of the shares owned by Dubai Government (Notes 15 and 16). The shares owned by Dubai Government were initially registered in the name of Investment Corporation of Dubai, and subsequently transferred during the month of August 2007 to Borse Dubai Limited.

The licensed activities of the Company are trading in financial instruments, acting as commercial, industrial and agricultural holding and trust company, financial investment consultancy, and local and foreign shares and bonds brokerage. In accordance with its Articles of Association, the Company complies in all its activities, operations and formalities with the provisions of Islamic Sharia’a and shall invest its entire fund in accordance with these provisions.

The Company currently operates the Dubai stock exchange, related clearing house and carries out investment activities on its own behalf.

The registered address of the Company is Dubai World Trade Center, Sheikh Zayed Road, P.O. Box 9700, Dubai.

The ultimate parent and controlling party is Government of Dubai.

These are the first audited financial statements issued.

2. Adoption of new and revised Standards

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

- IAS 23 *Borrowing Costs* (Revised) (effective for accounting periods beginning on or after January 1, 2009);
- IFRS 3 *Business Combination* (Revised) (effective for accounting periods beginning on or after July 1, 2009);
- IFRS 8 *Operating Segments* (effective for accounting periods beginning on or after January 1, 2009);

Notes to the Financial Statements
For the year ended December 31, 2007

2. Adoption of new and revised Standards (continued)

- IFRIC 11 *IFRS 2: Group and Treasury Share Transactions* (effective March 1, 2007);
- IFRIC 12 *Service Concession Arrangements* (effective January 1, 2008);
- IFRIC 13 *Customer Loyalty Programmes* (effective for accounting periods beginning on or after July 1, 2008); and
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective January 1, 2008).

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.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments at fair value. The principal accounting policies are set below:

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to the financial statements - continued
For the year ended December 31, 2007

3. Significant accounting policies (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised so as to write off their cost over their estimated useful lives, using the straight-line method as follows:

License to operate as a Stock Exchange	50 years
Relation with market participants (Brokers)	10 years
Historical Trading Database	5 years

Goodwill

Goodwill arising on the acquisition of a Company or an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Trading commission fees, ownership transfer and mortgage fees are recognized on the date of transaction in the market.

Brokers' license fees are recognised on the date of granting the license and are recognised on a life time proportion basis.

Notes to the financial statements - continued
For the year ended December 31, 2007

3. Significant accounting policies (continued)

Revenue recognition - continued

Dividend

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Return on Islamic investment deposits

Return on Islamic investment deposits are recognised based on the expected minimum rate of return specified in the investment agreement on time proportion basis, and reconciled to actual on maturity date.

Operating leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expenses over the term of the lease.

Foreign currency transactions

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to borrowing costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Notes to the financial statements - continued
For the year ended December 31, 2007

3. Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related building cost.

Property and equipment

Property and equipment are stated at cost, except for land which is stated at fair value, less accumulated depreciation and any accumulated impairment loss.

Depreciation is charged so as to write off the cost of assets other than work-in-progress and land, over their estimated useful lives, using the straight-line method.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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, for which the estimates of future cash flows have not been adjusted.

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, 2007

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill - 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, but so 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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial assets

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the financial statements - continued
For the year ended December 31, 2007

3. Significant accounting policies (continued)

Financial assets - continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in income statement. The net gain or loss recognised in income statement incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Investments with fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Notes to the financial statements - continued
For the year ended December 31, 2007

3. Significant accounting policies (continued)

Financial assets - continued

Available-for-sale financial assets

Listed shares held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in shareholders' equity in the investments revaluation reserve with the exception of impairment losses, foreign exchange gains and losses on monetary assets, which are recognised directly in income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in income statement for the period.

Dividends on AFS equity instruments are recognised in income statement when the Company's right to receive payments is established.

Managed funds are initially recorded at cost and at each balance sheet date re-measured according to net assets value determined by fund manager.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to the objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the financial statements - continued
For the year ended December 31, 2007

3. Significant accounting policies (continued)

Financial assets - continued

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in income statement.

With the exception of AFS equity instruments, 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 through income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Provision for employees' end of service indemnity

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

Notes to the financial statements - continued
For the year ended December 31, 2007

3. Significant accounting policies (continued)

Defined contribution plan

UAE National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labor Law No. 7 of 1999, the Company is required to contribute 15% of the “contribution calculation salary” of UAE payroll costs to the retirement benefit scheme to fund the benefits. The employees are also required to contribute 5% of the “contribution calculation salary” to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the net profit or loss for the period.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value net of transaction cost and subsequently measured at amortised cost.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or expired.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company’s accounting policies, which are described in Note 3 to the financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes to the financial statements - continued
For the year ended December 31, 2007

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying Company's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTPL - held for trading or held-to-maturity or available-for-sale.

Management classifies investments as FVTPL – held for trading if they are acquired primarily for the purpose of making a short term profit by the Company. Investments are designated as being held-to-maturity if management has the positive intention and ability to hold to maturity.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of financial assets

Management determines whether available for sale equity financial assets are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgment and to record whether an impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Notes to the financial statements - continued
For the year ended December 31, 2007

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

Critical judgments in applying Company's accounting policies - continued

Impairment of assets values

At each balance sheet date, the management reviews the assets values to determine that their book values have not exceeded amounts recoverable from them. The management estimates the recoverable amount of various assets individually or based on the cash generating unit to which the individual asset belongs.

Key sources of estimation uncertainty

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

Intangible assets

Management has estimated the initial components of the intangible assets which arose from the business acquisition of Dubai Financial Market on January 1, 2007 based on an evaluation prepared by independent valuers (Note 16). Management has estimated the useful lives of the intangible assets based on analysis of relevant factors relating to the expected period over which the intangible assets are expected to generate cash inflows to the company in the foreseeable future.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash-generating unit and to assign a suitable discount rate in order to calculate present value.

Depreciation of property and equipment

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

Notes to the financial statements - continued
For the year ended December 31, 2007

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

Key sources of estimation uncertainty - continued

Allowance for doubtful debts

At each balance sheet date, the management conducts a detailed review of receivable balances, an allowance for doubtful debts is established based on this review, management experience and prevailing economic conditions.

5. Cash and bank balances

	December 31, 2007 AED'000
Cash on hand	25
Bank balances:	
Current accounts	456
Mudarabah accounts	<u>154,443</u>
	154,924 =====

The expected rate of return on the Mudarabah accounts vary between 3% to 3.47% per annum.

6. Islamic investment deposits

	December 31, 2007 AED'000
Islamic investment deposits (Mudarabah) maturing in less than 3 months from the date of deposit (Note 24)	1,158,450
Islamic investment deposits maturing in more than 3 months from the date of deposit but before December 31, 2008	<u>999,802</u>
	2,158,252 =====

As per the investment agreements expected returns on these investments range from 5.2% to 6.3% per annum.

Notes to the financial statements - continued
For the year ended December 31, 2007

7. Prepaid expenses and other receivables

	December 31,
	2007
	AED'000
Accrued revenue on Islamic Investments	30,188
Accrued trading commission fees	10,354
Due from brokers	10,452
Prepaid expenses	2,332
Other receivables	2,888
	56,214
	=====

Due from brokers and accrued trading commission fees are collected within two working days from the trading date. Accrued revenue from Islamic Investments deposits are collected on the due date of the profit as set in the contractual agreements with the financial institution. Accordingly, prepaid expenses and other receivables do not include impaired or past due and not paid receivables.

Notes to the financial statements - continued
For the year ended December 31, 2007

8. Other financial assets

	Balance resulting from acquisition of Dubai Financial Market (Note 16) AED'000	Additions AED'000	Disposals AED'000	Change in fair value AED'000	Balance as of December 31, 2007 AED'000
Current financial assets					
<i>Held for trading investments carried at fair value</i>					
Investments in marketable securities	-	201,379	-	190,412	391,791
<i>Available-for-sale investments carried at fair value</i>					
Islamic financial notes	-	99,979	-	(1,220)	98,759
Total	-	301,358	-	189,192	490,550
Non-current financial assets					
<i>Available-for-sale investments carried at fair value</i>					
Investments in marketable securities	44,080	439,161	(1,238)	61,768	543,771
Managed funds	513,462	75,275	(14,697)	126,471	700,511
Islamic financial notes	-	49,953	-	1,534	51,487
Total	557,542	564,389	(15,935)	189,773	1,295,769

As of December 31, 2007, other financial assets were re-measured at fair value. Gain amounting to AED 190.4 million arising from the changes in fair value of marketable securities investments held for trading was recognised in the income statement, while gain amounting to AED 188.5 million arising from changes in fair value of available-for-sale investments was recognized directly in shareholders' equity.

Available for sale investments include an amount of AED 138 million being investment in unquoted securities held in the name of a related party in trust and for the benefit of the Company.

Dubai Financial Market (DFM) - PJSC
Dubai -United Arab Emirates

22

Notes to the financial statements - continued
For the year ended December 31, 2007

9. Property and equipment

	Land at fair value AED'000	Computers and information system AED'000	Leasehold improvements AED'000	Furniture and office equipment AED'000	Motor vehicles AED'000	Work-in- progress AED'000	Total AED'000
Cost or fair value							
Balance resulting from the acquisition of Dubai Financial Market (Note 16)	-	38,236	9,332	9,138	285	7,403	64,394
Additions	280,000	6,400	33	221	-	7,612	294,266
Transfers	-	7,278	1,337	612	-	(9,227)	-
At December 31, 2007	280,000	51,914	10,702	9,971	285	5,788	358,660
Accumulated depreciation							
Balance resulting from the acquisition of Dubai Financial Market (Note 16)	-	23,049	8,053	4,849	249	-	36,200
Charge for the year	-	7,400	518	1,815	13	-	9,746
At December 31, 2007	-	30,449	8,571	6,664	262	-	45,946
Carrying amount							
At December 31, 2007	280,000	21,465	2,131	3,307	23	5,788	312,714
	=====	=====	=====	=====	=====	=====	=====

Property and equipment other than work-in-progress and land are depreciated over their estimated useful lives of 4 years.

During the year, Government of Dubai (ultimate controlling party) granted the Company a plot of land to construct new premises. The land is still not yet registered in the name of the Company. An independent valuation of the land was performed by Dubai Properties L.L.C. to determine the fair market value (refer Note 13).

Notes to the financial statements - continued
For the year ended December 31, 2007

10. Intangible assets

	License to operate as a Stock Exchange AED'000	Relation with market participants (Brokers) AED'000	Historical trading database AED'000	Total AED'000
Fair value				
Resulting from acquisition of Dubai Financial Market (Note 16)	2,824,455	58,743	67,456	2,950,654
As at December 31, 2007	2,824,455	58,743	67,456	2,950,654
Amortization				
Charge for the year	56,489	5,874	13,491	75,854
As at December 31, 2007	56,489	5,874	13,491	75,854
Carrying amount	2,767,966	52,869	53,965	2,874,800

11. Goodwill

	AED '000
Cost of acquisition of Dubai Financial Market (Note 16)	8,000,000
Fair value of assets acquired (Note 16)	(2,170,472)
Fair value of identifiable intangible assets (Note 10)	(2,950,654)
	2,878,874

12. Payables and accrued expenses

	December 31, 2007 AED'000
Brokers' deposits	240,723
Due to UAE Securities and Commodities Authority	25,907
Unearned revenue	7,458
Accrued staff bonus	11,000
Accrued expenses and other payables	3,744
	288,832

Notes to the financial statements - continued
For the year ended December 31, 2007

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 companies under common ownership and/or common management and control and key management personnel.

At the balance sheet date, due from/to a related party were as follows:

	December 31, 2007 AED'000
Due from a related party	
<i>Parent company</i>	
Borse Dubai Limited	1,097
	=====
Due to a related party	
<i>Ultimate parent</i>	
Dubai Government	48,500
	=====

As per the initial public offering prospectus, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government. This amount was deposited in the Company's bank accounts and partly paid to the Government, while the remaining balance of AED 48,500,000 appears as due to Dubai Government.

The nature of significant related party transactions and amounts involved were as follows:

	Year ended December 31, 2007 AED'000
Rent and service expense - Dubai World Trade Center	5,292
Government grants at fair value booked as	
deferred income - Government grant (Note 9)	280,000
Available for sale investments held in the name of a related party	138,000
	=====

Notes to the financial statements - continued
For the year ended December 31, 2007

13. Related party transactions (continued)

Compensation of key management personnel

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

	Year ended December 31, 2007 AED'000
Short-term benefits	4,397
General pension and social security	184
	=====

14. Provision for employees' end of service indemnity

	December 31, 2007 AED'000
Balance, resulting from the acquisition of Dubai Financial Market (Note 16)	1,141
Charged to income statement	904
Paid during the year	(87)
	1,958
	=====

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

15. Share capital

- a) The Company's share capital comprises of 8 billion shares of AED 1 per share. The founding shareholder subscribed in kind for all the 8 billion shares through transferring the ownership of the assets, liabilities and the operations, rights and obligations of Dubai Financial Market (a wholly owned entity of the Dubai Government), as a going concern, to the Company. The total value transferred was assessed by an independent valuer for a total amount ranging between AED 7.219 billion and AED 8.151 billion as of December 31, 2005.

The key assumptions of the valuation were:

1. The value traded will decrease by 26% in 2006 as compared to 2005, and then grow at a year on year rate of 20% in 2007 and 2008 and at a rate of 10% in 2009 and 2010.
2. The commission charges on value traded will remain at 0.1% of traded value each side to both buyer and the seller (total commission earned per transaction equalling 0.2% of transaction value) in the future.

Notes to the financial statements - continued
For the year ended December 31, 2007

15. Share capital (continued)

Subsequently 20% of the Company's share capital was sold by Dubai Government through a public offering of 1.6 billion shares.

- b) The Company subscribed for 54,236,831 shares of its own shares for the purpose of future employees' performance share programme for a total cost of AED 1.03 per share which includes incorporation expenses. These shares will be re-issued and distributed to employees subject to the approval of a share performance scheme by the Board of Directors.

The Company has one class of ordinary shares which carry no right for fixed income.

16. Acquisition of Dubai Financial Market

The Company acquired Dubai Financial Market a wholly owned entity of the Government of Dubai, effective on January 1, 2007 (the "Acquisition Date"). The Company paid the consideration, in shares of the Company's stock amounting to 8 billion (par value of AED 1 per share) based on valuation carried out by an independent valuer.

<u>Net assets acquired</u>	<u>Net carrying value acquired AED'000</u>	<u>Fair value adjustment AED'000</u>	<u>Fair value AED'000</u>
Property and equipment	28,194	-	28,194
Other financial assets	557,542	-	557,542
Due from related parties	566,392	-	566,392
Prepaid expenses and other receivables	17,495	-	17,495
Islamic investment deposits	600,000	-	600,000
Cash and cash equivalents	581,814	-	581,814
Provision for employees' end of service indemnity	(1,141)	-	(1,141)
Payables and accrued expenses	(179,824)	-	(179,824)
Relation with market participants (Brokers)		58,743	58,743
License to operate as a Stock Exchange		2,824,455	2,824,455
Historical Trading Database		67,456	67,456
	2,170,472	2,950,654	5,121,126
	=====	=====	
Goodwill (Note 11)			2,878,874
Total preliminary price allocation			8,000,000
			=====

Notes to the financial statements - continued
For the Period from January 1, 2007 to September 30, 2007

16. Acquisition of Dubai Financial Market (continued)

Allocation and valuation of intangible and other assets:

During July, 2007, the Company engaged independent valuer to “conduct and report on valuation analysis of identified material tangible assets of the Company for the purpose of determining the purchase price allocation and useful life of the identified intangible assets for compilation of IFRS compliant accounts”. In performing the purchase price allocation, the evaluators considered, among other factors, analyses of historical financial performance and estimates of future performance of the Company's business. The estimate of the fair value of intangible assets as determined by the evaluators is based, in part, on a valuation using multi period excess earnings method of the income approach. The rates utilized to discount net cash flows to their present values were based on the Company's weighted average cost of capital and ranged from 14.35% to 14.85%. These discount rates were determined after consideration of the Company's rate of return on debt and equity and the weighted average return on invested capital. The following table sets forth the components of intangible assets associated with the acquisition at January 1, 2007 as reported by the evaluators in their report dated February 3, 2008:

<u>Intangible asset</u>	<u>Fair value</u> <u>AED'000</u>	<u>Useful life</u>
Relation with market participants (Brokers)	58,743	10 years
License to operate as a Stock Exchange	2,824,455	Indefinite
Historical Trading Database	67,456	Indefinite

Customer relationships represent the underlying relationships and agreements with existing Brokers/customers. License to operate as a Stock Exchange refer to the Company's license from the Government of Dubai to carry out operations as a Stock Exchange in the form of government decree. The validity of the license is open ended and consequently life of the license is considered infinite. The historical database refers to the database as revenue-generating being used by customers and traders for fee.

17. Reserves

	<u>Statutory</u> <u>reserve</u> <u>AED'000</u>	<u>Special</u> <u>reserve</u> <u>AED'000</u>	<u>General</u> <u>reserve</u> <u>AED'000</u>	<u>Total</u> <u>AED'000</u>
Transfer from net income for the year	143,961 =====	143,961 =====	143,961 =====	431,883 =====

Notes to the financial statements - continued
For the Period from January 1, 2007 to September 30, 2007

17. Reserves (continued)

Statutory reserve

In accordance with UAE Federal Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of its 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.

Special reserve

As per the Company's Articles of Association, 10% of the Company's annual net profit is to be allocated to special reserve until this reserve reaches 50% of the paid up capital.

General reserve

As per the Company's Articles of Association, 10% of the Company's annual net profit is to be allocated to general reserve until this reserve reaches 20% of the paid up capital.

This appropriation may be stopped by a Resolution of an Ordinary General Meeting in pursuance of the suggestion of the Board of Directors, or if it reaches the amount of 20% of the paid up capital of the Company. The reserve shall be utilized for purposes determined by the Ordinary General Meeting in pursuance of recommendations of Board of Directors.

Investments revaluation reserve

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

18. Net initial public offering surplus

	<u>AED'000</u>
Initial public offering fees collected (AED 0.03 for each share)	48,000
Less: Incorporation expenses incurred	(16,392)
Surplus taken to equity	31,608
	=====

Notes to the financial statements - continued
For the year ended December 31, 2007

19. Revenues

	For the year ended December 31, 2007		
	Period from	Period from	Total
	January 1,	February 6,	for the
	2007 to	2007 (date of	year ended
	February 5,	incorporation)	December 31,
	2007	to December 31,	2007
	AED'000	2007	2007
	AED'000	AED'000	AED'000
Trading commission fees	36,209	755,205	791,414
Brokerage fees	2,127	17,926	20,053
Ownership transfer and mortgage fees	530	12,456	12,986
Other fees	114	2,735	2,849
	38,980	788,322	827,302
	=====	=====	=====

The above information comprises the result of operations related to the period from January 1, 2007 to February 5, 2007 as it relates to the Company during its incorporation period.

20. Net investment revenue

	For the year ended December 31, 2007		
	Period from	Period from	Total
	January 1,	February 6,	for the
	2007 to	2007 (date of	year ended
	February 5,	incorporation)	December 31,
	2007	to December 31,	2007
	AED'000	2007	2007
	AED'000	AED'000	AED'000
Return on Islamic investment deposits	18,777	99,242	118,019
Gain on sales of available-for-sales investment	-	136	136
Dividends	-	1,069	1,069
	18,777	100,447	119,224
	=====	=====	=====

The above information comprises the result of operations related to the period from January 1, 2007 to February 5, 2007 as it relates to the Company during its incorporation period.

Notes to the financial statements - continued
For the year ended December 31, 2007

21. Initial public offering income

As per the prospectus, 20% of the share capital par value amounting to AED 1,600,000,000 was offered for public subscription by the Dubai Government. The returns received from banks, arising from temporary investment of funds held during the subscription period, and which amounted to AED 468.026 million, were booked as income to the Company.

22. General and administrative expenses

	For the year ended December 31, 2007		
	Period from	Period from	Total
	January 1,	February 6,	for the
	2007 to	2007 (date of	year ended
	February 5,	incorporation)	December 31,
	2007	to December 31,	2007
	AED'000	2007	2007
	AED'000	AED'000	AED'000
Payroll and other benefits	2,610	33,551	36,161
Rents	424	4,869	5,293
Depreciation of property and equipment	717	9,029	9,746
Professional expenses	576	6,797	7,373
Bonus	-	16,053	16,053
Other general and administrative expenses	294	14,583	14,877
	4,621	84,882	89,503
	=====	=====	=====

The above information comprises the result of operations related to the period from January 1, 2007 to February 5, 2007 as it relates to the Company during its incorporation period.

Notes to the financial statements - continued
For the year ended December 31, 2007

23. Earning per share

	Year ended December 31, 2007
	<u>2007</u>
Net profit for the year (AED '000)	1,439,607
	=====
Authorized share capital ('000)	8,000,000
Less: Treasury shares ('000)	(55,864)
Weighted average number of shares ('000)	7,944,136
	=====
Earning per share – AED	0.18
	=====

24. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in Islamic deposits maturing within three months from the date of the deposits. Cash and cash equivalent at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	December 31, 2007 AED'000
	<u>2007</u>
Cash on hand	25
Bank balances:	
Current accounts	456
Mudarabah accounts	154,443
Islamic investment deposits maturing in less than 3 months from the date of deposit (Note 6)	1,158,450
	<u>1,313,374</u>
	=====

25. Capital commitments

	December 31, 2007 AED '000
	<u>2007</u>
Commitments for the purchase of property and equipment	1,955
	=====

Notes to the financial statements - continued
For the year ended December 31, 2007

26. Financial instruments

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives

The Company finance department monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, and price risk), credit risk and liquidity risk.

Market risk

The Company's activities is not exposed to the financial risks of changes in foreign currency exchange rates and interest rates because substantially all the financial assets and liabilities are denominated in United Arab Emirates Dirhams or US Dollars which Dirhams is fixed. The Company complies in all its activities and operations with the provisions of Islamic Sharia which are not subject to interest rate risk.

Price risks

The Company is exposed to equity price risks arising from equity investments. Equity investments are classsified as AFS and held for trading. The Company does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If equity prices had been 5% higher/lower:

Net profit for the year ended December 31, 2007 would increase/decrease by AED 19 million if the equity investment held for trading is higher/lower by 5%.

Notes to the financial statements - continued
For the year ended December 31, 2007

26. Financial instruments (continued)

Equity price sensitivity analysis - continued

Net profit for the year ended December 31, 2007 would have been unaffected if the price of available-for-sale equity investments increase/decrease by 5% unless these investments were disposed of or impaired; and

Investment revaluation reserves would increase/decrease by AED 9 million as a result of the changes in fair value of available-for-sale investments.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transact with licensed brokers. The credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Although the Company's credit exposure is to a group of counterparties having similar characteristics and industry, the credit risk is limited because the counterparties collateralized their debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements - continued
For the year ended December 31, 2007

26. Financial instruments (continued)

Liquidity risk management

The liquidity profile of assets and liabilities as at December 31, 2007 were as follows:

	<u>Within 3 months AED'000</u>	<u>Over 3 to 6 months AED'000</u>	<u>Over 6 to 12 months AED'000</u>	<u>Over 1 to 5 years AED'000</u>	<u>Over 5 years AED'000</u>	<u>Total AED'000</u>
ASSETS						
Cash and bank balances	154,924	-	-	-	-	154,924
Islamic investment deposits	1,158,450	438,110	561,692	-	-	2,158,252
Prepaid expenses and other receivables	56,214	-	-	-	-	56,214
Other financial assets	490,550	-	-	1,295,769	-	1,786,319
Due from a related party	1,097	-	-	-	-	1,097
Property and equipment	-	-	-	32,714	280,000	312,714
Intangible assets	-	-	-	-	2,874,800	2,874,800
Goodwill	-	-	-	-	2,878,874	2,878,874
Total assets	<u>1,861,235</u>	<u>438,110</u>	<u>561,692</u>	<u>1,328,483</u>	<u>6,033,674</u>	<u>10,223,194</u>
LIABILITIES AND SHAREHOLDERS' EQUITY						
Payables and accrued expenses	288,832	-	-	-	-	288,832
Due to a related party	48,500	-	-	-	-	48,500
Provision for employees' end of service indemnity	-	-	-	1,958	-	1,958
Deferred income - Government grant	-	-	-	-	280,000	280,000
Share capital	-	-	-	-	8,000,000	8,000,000
Treasury shares	-	-	-	-	(55,864)	(55,864)
Net initial public offering surplus	-	-	-	-	31,608	31,608
Investments revaluation reserve	-	-	-	-	188,553	188,553
Statutory and other reserves	-	-	-	-	431,883	431,883
Retained earnings	-	-	-	-	1,007,724	1,007,724
Total Liabilities and Shareholders' Equity	<u>337,332</u>	<u>-</u>	<u>-</u>	<u>1,958</u>	<u>9,883,904</u>	<u>10,223,194</u>

Notes to the financial statements - continued
For the year ended December 31, 2007

26. Financial instruments (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.