

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

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

**Dubai Financial Market (DFM) - 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**

**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, 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.

#### *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)**

*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, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*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; indicates that the total fair value of identifiable intangible assets (excluding goodwill) amount to AED 2.95 billion.

**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**



**Musa Dajani**  
(Reg. No. 323)

**Dubai**  
**March 2, 2009**

**Balance Sheet**

**As of December 31, 2008**

**(In Thousand Arab Emirates Dirhams)**

|                                                   | Note    | 2008             | 2007              |
|---------------------------------------------------|---------|------------------|-------------------|
| <b>ASSETS</b>                                     |         |                  |                   |
| <b>Current assets</b>                             |         |                  |                   |
| Cash and bank balances                            | 5       | 95,547           | 154,924           |
| Islamic investment deposits                       | 6       | 1,572,049        | 2,158,252         |
| Prepaid expenses and other receivables            | 7       | 33,644           | 56,214            |
| Other financial assets                            | 8       | -                | 490,550           |
| Due from a related party                          | 13      | 4,551            | 1,097             |
| <b>Total current assets</b>                       |         | <b>1,705,791</b> | <b>2,861,037</b>  |
| <b>Non-current assets</b>                         |         |                  |                   |
| Other financial assets                            | 8       | 944,366          | 1,295,769         |
| Property and equipment                            | 9       | 308,377          | 312,714           |
| Intangible assets                                 | 10 & 16 | 2,798,946        | 2,874,800         |
| Goodwill                                          | 11 & 16 | 2,878,874        | 2,878,874         |
| <b>Total non-current assets</b>                   |         | <b>6,930,563</b> | <b>7,362,157</b>  |
| <b>Total Assets</b>                               |         | <b>8,636,354</b> | <b>10,223,194</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |         |                  |                   |
| <b>Current liabilities</b>                        |         |                  |                   |
| Payables and accrued expenses                     | 12      | 54,284           | 288,832           |
| Due to a related party                            | 13      | 48,500           | 48,500            |
| <b>Total current liabilities</b>                  |         | <b>102,784</b>   | <b>337,332</b>    |
| <b>Non-current liabilities</b>                    |         |                  |                   |
| Provision for employees' end of service indemnity | 14      | 2,578            | 1,958             |
| Deferred income - Government grant                | 9       | 280,000          | 280,000           |
| <b>Total non-current liabilities</b>              |         | <b>282,578</b>   | <b>281,958</b>    |
| <b>Total Liabilities</b>                          |         | <b>385,362</b>   | <b>619,290</b>    |
| <b>Shareholders' Equity</b>                       |         |                  |                   |
| Share capital                                     | 15 (a)  | 8,000,000        | 8,000,000         |
| Treasury shares                                   | 15 (b)  | (55,864)         | (55,864)          |
|                                                   |         | 7,944,136        | 7,944,136         |
| Net initial public offering surplus               | 18      | 31,608           | 31,608            |
| Investments revaluation reserve                   | 17 & 8  | (974,754)        | 188,553           |
| Statutory and other reserves                      | 17      | 613,374          | 431,883           |
| Retained earnings                                 |         | 636,628          | 1,007,724         |
| <b>Total Shareholders' Equity</b>                 |         | <b>8,250,992</b> | <b>9,603,904</b>  |
| <b>Total Liabilities and Shareholders' Equity</b> |         | <b>8,636,354</b> | <b>10,223,194</b> |

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

The financial statements on pages 3 to 39 were approved and signed by the Chairman, on behalf of the Board of Directors, on March 2, 2009.



**Income Statement**

**For the year ended December 31, 2008**

**(In Thousand Arab Emirates Dirhams)**

|                                                                                | <u>Note</u> | <u>2008</u>       | <u>2007</u>      |
|--------------------------------------------------------------------------------|-------------|-------------------|------------------|
| <b>Revenues</b>                                                                |             |                   |                  |
| Trading commission fees                                                        |             | 640,209           | 791,414          |
| Brokerage fees                                                                 |             | 21,018            | 20,053           |
| Ownership transfer and mortgage fees                                           |             | 20,538            | 12,986           |
| Other fees                                                                     |             | <u>7,111</u>      | <u>2,849</u>     |
| <b>Operating income</b>                                                        |             | 688,876           | 827,302          |
| Net investment revenue                                                         | 20          | 263,214           | 119,224          |
| Gain from revaluation of investments in marketable securities held for trading | 8 (c)       | 61,044            | 190,412          |
| General and administrative expenses                                            | 22          | ( 82,309)         | ( 89,503)        |
| Amortization of intangible assets                                              | 10          | ( 75,854)         | ( 75,854)        |
| Impairment loss for available for sale investments                             |             | <u>( 250,000)</u> | <u>-</u>         |
| <b>Net profit for the year before initial public offering income</b>           |             | 604,971           | 971,581          |
| Initial public offering income                                                 | 21          | <u>-</u>          | <u>468,026</u>   |
| <b>Net profit for the year</b>                                                 |             | <u>604,971</u>    | <u>1,439,607</u> |
| Earning per share - AED                                                        | 23          | <u>0.08</u>       | <u>0.18</u>      |

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 Thousand Arab Emirates Dirhams)**

|                                                                                       | Share capital    | Treasury shares  | Net initial public offering surplus | Investments revaluation reserve | Statutory and other reserves | Retained earnings | Total            |
|---------------------------------------------------------------------------------------|------------------|------------------|-------------------------------------|---------------------------------|------------------------------|-------------------|------------------|
| 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          |
| <b>Net income recognised directly in shareholders' equity</b>                         | -                | -                | 31,608                              | 188,553                         | -                            | -                 | 220,161          |
| Net profit for the year                                                               | -                | -                | -                                   | -                               | -                            | 1,439,607         | 1,439,607        |
| <b>Total recognized income</b>                                                        | -                | -                | 31,608                              | 188,553                         | -                            | 1,439,607         | 1,659,768        |
| Transfer to statutory and other reserve (Note 17)                                     | -                | -                | -                                   | -                               | 431,883                      | ( 431,883)        | -                |
| Balance as of December 31, 2007                                                       | 8,000,000        | ( 55,864)        | 31,608                              | 188,553                         | 431,883                      | 1,007,724         | 9,603,904        |
| Loss from revaluation of available for sale investments recognised directly in equity | -                | -                | -                                   | ( 1,265,720)                    | -                            | -                 | ( 1,265,720)     |
| <b>Net loss recognised directly in shareholders' equity</b>                           | -                | -                | -                                   | ( 1,265,720)                    | -                            | -                 | ( 1,265,720)     |
| Net profit for the year                                                               | -                | -                | -                                   | -                               | -                            | 604,971           | 604,971          |
| <b>Total recognized loss</b>                                                          | -                | -                | -                                   | ( 1,265,720)                    | -                            | 604,971           | ( 660,749)       |
| Impairment of available for sale investment                                           | -                | -                | -                                   | 250,000                         | -                            | -                 | 250,000          |
| Transfer to statutory and other reserves (Note 17)                                    | -                | -                | -                                   | -                               | 181,491                      | ( 181,491)        | -                |
| Transfer out from reserve on sales of available for sale investments                  | -                | -                | -                                   | ( 147,587)                      | -                            | -                 | ( 147,587)       |
| Dividends declared (Note 19)                                                          | -                | -                | -                                   | -                               | -                            | ( 794,576)        | ( 794,576)       |
| <b>Balance as of December 31, 2008</b>                                                | <u>8,000,000</u> | <u>( 55,864)</u> | <u>31,608</u>                       | <u>( 974,754)</u>               | <u>613,374</u>               | <u>636,628</u>    | <u>8,250,992</u> |

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

**Cash Flow Statement**

**For the year ended December 31, 2008**

**(In Thousand Arab Emirates Dirhams)**

|                                                                                                                     | <u>2008</u>             | <u>2007</u>             |
|---------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>                                                                         |                         |                         |
| Net profit for the year                                                                                             | 604,971                 | 1,439,607               |
| Adjustments for:                                                                                                    |                         |                         |
| Depreciation of property and equipment                                                                              | 12,877                  | 9,746                   |
| Provision for employees' end of service indemnity                                                                   | 735                     | 904                     |
| Amortization of intangible assets                                                                                   | 75,854                  | 75,854                  |
| Impairment loss of available for sale investment                                                                    | 250,000                 | -                       |
| Gain on sale of available for sale investments                                                                      | ( 130,465)              | ( 136)                  |
| Gain from revaluation of investment in marketable securities held for trading                                       | ( 61,044)               | ( 190,412)              |
| Gain on sale on disposal of property and equipment                                                                  | ( 5)                    | -                       |
| Initial public offering income                                                                                      | -                       | ( 468,026)              |
| Return on Islamic investment deposits                                                                               | ( 104,656)              | ( 118,019)              |
| Dividend income                                                                                                     | ( 28,093)               | ( 1,069)                |
| <b>Operating profit before changes in operating assets and liabilities</b>                                          | 620,174                 | 748,449                 |
| Decrease/(increase) in prepaid expenses and other receivables                                                       | 15,671                  | ( 18,871)               |
| Increase in due from a related party                                                                                | ( 2,313)                | ( 1,097)                |
| (Decrease)/increase in payables and accrued expenses                                                                | ( 254,713)              | 109,008                 |
| <b>Cash generated from operations</b>                                                                               | 378,819                 | 837,489                 |
| Employees' end of service indemnity paid                                                                            | ( 115)                  | ( 87)                   |
| <b>Net cash generated from operating activities</b>                                                                 | <u>378,704</u>          | <u>837,402</u>          |
| <b>Cash flows from investing activities</b>                                                                         |                         |                         |
| Proceeds from sale of other financial assets                                                                        | 976,645                 | 16,070                  |
| Proceeds from disposal of property and equipment                                                                    | 5                       | -                       |
| Purchases of other financial assets                                                                                 | ( 1,355,905)            | ( 865,747)              |
| Purchase of property and equipment                                                                                  | ( 10,266)               | ( 14,266)               |
| Net Islamic investment proceeds/(deposits)                                                                          | 437,753                 | ( 399,802)              |
| Revenue received from Islamic investments deposits                                                                  | 112,068                 | 99,269                  |
| Dividend received                                                                                                   | 27,580                  | 1,069                   |
| <b>Net cash generated from/(used in) investing activities</b>                                                       | <u>187,880</u>          | <u>( 1,163,407)</u>     |
| <b>Cash flows from financing activities</b>                                                                         |                         |                         |
| Initial public offering income received                                                                             | -                       | 468,026                 |
| Net initial public offering surplus                                                                                 | -                       | 31,608                  |
| Net receipt from Dubai Government                                                                                   | -                       | 557,931                 |
| Dividends paid to shareholders                                                                                      | ( 774,411)              | -                       |
| <b>Net cash (used in)/generated from financing activities</b>                                                       | <u>( 774,411)</u>       | <u>1,057,565</u>        |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                                                         | ( 207,827)              | 731,560                 |
| Cash and cash equivalents, beginning of the year/resulting from the acquisition of Dubai Financial Market (Note 16) | <u>1,313,374</u>        | <u>581,814</u>          |
| <b>Cash and cash equivalents, end of the year (Note 24)</b>                                                         | <u><u>1,105,547</u></u> | <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, 2008**

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**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 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.

**2. Adoption of new and revised Standards and Interpretations**

***Interpretations effective in the current year***

In the current year, the Group has adopted the amendments to IAS 39 Financial Instruments: *Recognition and Measurement* and IFRS 7 Financial Instruments: *Disclosures* which are effective from July 1, 2008. The impact of adoption of these amendments has been to expand the disclosures provided in these financial statements regarding the Group’s reclassified financial instruments [see also Note 7(h)].

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.

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

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**2. Adoption of new and revised Standards and Interpretations (continued)**

*Standards and interpretations in issue not yet adopted - continued*

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 accounting periods beginning on or after January 1, 2009);                               |
| IAS 16   | (Revised) <i>Property, Plant and Equipment</i> (effective for accounting periods beginning on or after January 1, 2009);                                      |
| IAS 23   | (Revised) <i>Borrowing Costs</i> (effective for accounting periods beginning on or after January 1, 2009);                                                    |
| IAS 27   | (Revised) <i>Consolidated and Separate Financial Statements</i> (effective for accounting periods beginning on or after July 1, 2009);                        |
| IAS 32   | (Revised) <i>Financial Instruments: Presentation</i> (effective for accounting periods beginning on or after January 1, 2009);                                |
| IAS 39   | (Revised) <i>Financial Instruments: Recognition and Measurement</i> (effective for accounting periods beginning on or after January 1, 2009);                 |
| IAS 40   | (Revised) <i>Investment Property</i> (effective for accounting periods beginning on or after July 1, 2009);                                                   |
| IAS 41   | (Revised) <i>Agriculture</i> (effective for accounting periods beginning on or after July 1, 2009);                                                           |
| IFRS 1   | (Revised) <i>First-time Adoption of International Financial Reporting Standards</i> (effective for accounting periods beginning on or after January 1, 2009); |
| IFRS 2   | (Revised) <i>Share-based Payment</i> (effective for accounting periods beginning on or after January 1, 2009);                                                |
| IFRS 3   | (Revised) <i>Business Combinations</i> (effective for accounting periods beginning on or after July 1, 2009);                                                 |
| IFRS 5   | (Revised) <i>Non-current Assets Held for Sale and Discontinued Operations</i> (effective for accounting periods beginning on or after July 1, 2009);          |
| IFRS 8   | <i>Operating Segments</i> (effective for accounting periods beginning on or after January 1, 2009);                                                           |
| IFRIC 13 | <i>Customer Loyalty Programmes</i> (effective for accounting periods beginning on or after July 1, 2008);                                                     |
| IFRIC 15 | <i>Agreements for the Construction of Real Estate</i> (effective for accounting periods beginning on or after January 1, 2009);                               |
| IFRIC 16 | <i>Hedges of a Net Investment in a Foreign Operation</i> (effective for accounting periods beginning on or after October 1, 2009); and                        |
| IFRIC 17 | <i>Distribution of Non-cash assets to owners</i> (effective for accounting periods beginning on or after July 1, 2009).                                       |

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

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

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**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.

**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  |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**3. Significant accounting policies (continued)**

**Goodwill**

Goodwill arising on the acquisition of a company or any 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.

*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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**3. Significant accounting policies (continued)**

**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.

**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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**3. Significant accounting policies (continued)**

**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.

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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**3. Significant accounting policies (continued)**

**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.

*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.

Notes to the financial statements - continued  
For the year ended December 31, 2008

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**3. Significant accounting policies (continued)**

**Financial assets - continued**

*Financial assets at FVTPL (continued)*

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.

*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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**3. Significant accounting policies (continued)**

**Financial assets - continued**

*Islamic investment deposits*

Islamic investment deposits are stated at amortized cost.

*Due from a related party*

Due from a related party is stated at amortized cost.

*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 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.

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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**3. Significant accounting policies (continued)**

**Financial assets - continued**

*Impairment of financial assets (continued)*

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.

**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 Labour 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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**3. Significant accounting policies (continued)**

**Financial liabilities and equity instruments issued by the Company - continued**

*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.

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.

Notes to the financial statements - continued  
For the year ended December 31, 2008

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

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

*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.

*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.

Notes to the financial statements - continued  
For the year ended December 31, 2008

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

*Key sources of estimation uncertainty* - continued

*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.

*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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

**5. Cash and bank balances**

|                    | <b>December 31,</b> |                |
|--------------------|---------------------|----------------|
|                    | <b>2008</b>         | <b>2007</b>    |
|                    | <b>AED'000</b>      | <b>AED'000</b> |
| Cash on hand       | 28                  | 25             |
| Bank balances:     |                     |                |
| Current accounts   | 661                 | 456            |
| Saving accounts    | 1,401               | -              |
| Mudarabah accounts | <u>93,457</u>       | <u>154,443</u> |
|                    | <u>95,547</u>       | <u>154,924</u> |

The expected rate of return on the Mudarabah accounts vary between 1.75% and 3% (2007: 3% to 3.47%) per annum.

**6. Islamic investment deposits**

|                                                                                                                        | <b>December 31,</b> |                  |
|------------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                                                        | <b>2008</b>         | <b>2007</b>      |
|                                                                                                                        | <b>AED'000</b>      | <b>AED'000</b>   |
| Islamic investment deposits (Mudarabah) maturing<br>in less than 3 months from the date of deposit (Note 24)           | 1,010,000           | 1,158,450        |
| Islamic investment deposits maturing in more<br>than 3 months from the date of deposit but<br>before December 31, 2009 | <u>562,049</u>      | <u>999,802</u>   |
|                                                                                                                        | <u>1,572,049</u>    | <u>2,158,252</u> |

As per the investment agreements, expected returns on these investments range from 6% to 7.75% (2007: 5.85% to 7.75% per annum).

Notes to the financial statements - continued  
For the year ended December 31, 2008

7. Prepaid expenses and other receivables

|                                        | December 31, |         |
|----------------------------------------|--------------|---------|
|                                        | 2008         | 2007    |
|                                        | AED'000      | AED'000 |
| Accrued revenue on Islamic Investments | 23,289       | 30,188  |
| Accrued trading commission fees        | 1,836        | 10,354  |
| Due from brokers                       | 4,556        | 10,452  |
| Prepaid expenses                       | 2,820        | 2,332   |
| Other receivables                      | 3,165        | 2,888   |
|                                        | 35,666       | 56,214  |
| Less: Allowance for doubtful debts     | (2,022)      | -       |
|                                        | 33,644       | 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 receivables.

8. Other financial assets

|                                                                 | Current<br>December 31, |         | Non-current<br>December 31, |           |
|-----------------------------------------------------------------|-------------------------|---------|-----------------------------|-----------|
|                                                                 | 2008                    | 2007    | 2008                        | 2007      |
|                                                                 | AED'000                 | AED'000 | AED'000                     | AED'000   |
| <i>Held for trading investments<br/>carried at fair value</i>   |                         |         |                             |           |
| Investments in marketable securities                            | -                       | 391,791 | -                           | -         |
| <b>Total</b>                                                    | -                       | 391,791 | -                           | -         |
| <i>Available-for-sale investments<br/>carried at fair value</i> |                         |         |                             |           |
| Investments in marketable securities                            | -                       | -       | 339,197                     | 543,771   |
| Managed funds                                                   | -                       | -       | 605,169                     | 700,511   |
| Islamic financial note                                          | -                       | 98,759  | -                           | 51,487    |
| <b>Total</b>                                                    | -                       | 98,759  | 944,366                     | 1,295,769 |
| <b>Grand total</b>                                              | -                       | 490,550 | 944,366                     | 1,295,769 |

Investments in marketable securities include an amount of AED 113 million of foreign investments.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**8. Other financial assets (continued)**

- a. As of December 31, 2008, other financial assets were re-measured at fair value. A fair value decline of AED 974 million arising from changes in fair value of available-for-sale investments was recognized directly in shareholders' equity.
- b. As a result of the global financial credit crisis that arose from the subprime loans and the subsequent sharp decline in the quoted share prices, the management of the Company has reconsidered its investment strategy. Accordingly the Company adopted the amendments to IAS 39 issued by the International Accounting Standards Board (effective July 1, 2008) and which permits an entity to reclassify, in particular circumstances, (effective July 1, 2008) investments held for trading for which the change in fair value is recognized in the profit and loss to investment available for sales for which the change in the fair value is recognized under equity as investment revaluation reserve. As a result of the reclassification net profit for the year ended December 31, 2008 has increased by AED 330 million.

Details of the reclassified investments are as follows:

|                                                                                           | <u>AED'000</u>    |
|-------------------------------------------------------------------------------------------|-------------------|
| Fair value as of July 1, 2008                                                             | 486,131           |
| Additions during the 6 month period ended December 31, 2008                               | <u>23,307</u>     |
|                                                                                           | 509,438           |
| Fair value of investment reclassified as of December 31, 2008                             | <u>69,377</u>     |
| Change in fair value during the 6 month period ended December 31, 2008                    | 440,061           |
| Impairment loss recognized on the reclassified investments recognized in income statement | <u>( 110,000)</u> |
| Change in the fair value recognized in equity                                             | <u>330,061</u>    |

- c. As per the amendments mentioned above under point b, the financial assets shall be reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in profit or loss shall not be reversed. This amount represents gain from revaluation of investments held for trading as of June 30, 2008 which is the effective date of the reclassification. This amount is computed as follows:

|                                                                                                                            | <u>AED'000</u>    |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|
| Fair value of investment at June 30, 2008                                                                                  | 486,131           |
| Less: Fair value of the investments at January 1, 2008 plus cost of addition during the 6 month period ended June 30, 2008 | <u>( 425,087)</u> |
| Gain from revaluation of investments in marketable securities held for trading                                             | <u>61,044</u>     |

Notes to the financial statements - continued  
For the year ended December 31, 2008

9. Property and equipment

|                                                                                  | Land at<br>fair value<br>AED'000 | Computers<br>and<br>information<br>system<br>AED'000 | Leasehold<br>improvements<br>AED'000 | Furniture<br>and office<br>equipment<br>AED'000 | Motor<br>vehicles<br>AED'000 | Work-in-<br>progress<br>AED'000 | Total<br>AED'000 |
|----------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------|--------------------------------------|-------------------------------------------------|------------------------------|---------------------------------|------------------|
| <b>Cost or fair value</b>                                                        |                                  |                                                      |                                      |                                                 |                              |                                 |                  |
| Balance resulting from the<br>acquisition of Dubai<br>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          |
| Additions                                                                        | -                                | 5,886                                                | 283                                  | 491                                             | -                            | 3,606                           | 10,266           |
| Disposals                                                                        | -                                | ( 900)                                               | ( 1,438)                             | ( 506)                                          | ( 33)                        | -                               | ( 2,877)         |
| Transfers                                                                        | -                                | 525                                                  | 1,438                                | 177                                             | -                            | ( 2,140)                        | -                |
| <b>At December 31, 2008</b>                                                      | <b>280,000</b>                   | <b>57,425</b>                                        | <b>10,985</b>                        | <b>10,133</b>                                   | <b>252</b>                   | <b>7,254</b>                    | <b>366,049</b>   |

Notes to the financial statements - continued  
For the year ended December 31, 2008

9. Property and equipment (continued)

|                                                                                  | Land at<br>fair value<br>AED'000 | Computers<br>and<br>information<br>system<br>AED'000 | Leasehold<br>improvements<br>AED'000 | Furniture<br>and office<br>equipment<br>AED'000 | Motor<br>vehicles<br>AED'000 | Work-in-<br>progress<br>AED'000 | Total<br>AED'000 |
|----------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------|--------------------------------------|-------------------------------------------------|------------------------------|---------------------------------|------------------|
| <b>Accumulated depreciation</b>                                                  |                                  |                                                      |                                      |                                                 |                              |                                 |                  |
| Balance resulting from the<br>acquisition of Dubai<br>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           |
| Charge for the year                                                              | -                                | 9,807                                                | 1,106                                | 1,951                                           | 13                           | -                               | 12,877           |
| Eliminated on disposal                                                           | -                                | ( 704)                                               | ( 269)                               | ( 144)                                          | ( 34)                        | -                               | ( 1,151)         |
| At December 31, 2008                                                             | -                                | 39,552                                               | 9,408                                | 8,471                                           | 241                          | -                               | 57,672           |
| <b>Carrying amount</b>                                                           |                                  |                                                      |                                      |                                                 |                              |                                 |                  |
| At December 31, 2008                                                             | 280,000                          | 17,873                                               | 1,577                                | 1,662                                           | 11                           | 7,254                           | 308,377          |
| 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.

Last 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).

Disposals during the year include an amount of AED 2.17 million representing transfer to a related party.

Notes to the financial statements - continued  
For the year ended December 31, 2008

10. Intangible assets

|                                                                              | License<br>to operate<br>as a Stock<br>Exchange<br>AED'000 | Relation<br>with market<br>participants<br>(Brokers)<br>AED'000 | Historical<br>trading<br>database<br>AED'000 | Total<br>AED'000               |
|------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------|--------------------------------|
| <b>Fair value</b>                                                            |                                                            |                                                                 |                                              |                                |
| Resulting from<br>acquisition of Dubai<br>Financial Market<br>(Note 11 & 16) | <u>2,824,455</u>                                           | <u>58,743</u>                                                   | <u>67,456</u>                                | <u>2,950,654</u>               |
| As at December 31, 2007                                                      | <u>2,824,455</u>                                           | <u>58,743</u>                                                   | <u>67,456</u>                                | <u>2,950,654</u>               |
| <b>As at December 31, 2008</b>                                               | <u><b>2,824,455</b></u>                                    | <u><b>58,743</b></u>                                            | <u><b>67,456</b></u>                         | <u><b>2,950,654</b></u>        |
| <b>Amortization</b>                                                          |                                                            |                                                                 |                                              |                                |
| Charge for the year                                                          | <u>56,489</u>                                              | <u>5,874</u>                                                    | <u>13,491</u>                                | <u>75,854</u>                  |
| As at December 31, 2007                                                      | <u>56,489</u>                                              | <u>5,874</u>                                                    | <u>13,491</u>                                | <u>75,854</u>                  |
| Charge for the year                                                          | <u>56,489</u>                                              | <u>5,874</u>                                                    | <u>13,491</u>                                | <u>75,854</u>                  |
| <b>As at December 31, 2008</b>                                               | <u><b>112,978</b></u>                                      | <u><b>11,748</b></u>                                            | <u><b>26,982</b></u>                         | <u><b>151,708</b></u>          |
| <b>Carrying amount</b>                                                       |                                                            |                                                                 |                                              |                                |
| <b>At December 31, 2008</b>                                                  | <u><u><b>2,711,477</b></u></u>                             | <u><u><b>46,995</b></u></u>                                     | <u><u><b>40,474</b></u></u>                  | <u><u><b>2,798,946</b></u></u> |
| At December 31, 2007                                                         | <u><u>2,767,966</u></u>                                    | <u><u>52,869</u></u>                                            | <u><u>53,965</u></u>                         | <u><u>2,874,800</u></u>        |

11. Goodwill

|                                                         | December 31,            |                         |
|---------------------------------------------------------|-------------------------|-------------------------|
|                                                         | 2008                    | 2007                    |
|                                                         | AED'000                 | AED'000                 |
| Cost of acquisition of Dubai Financial Market (Note 16) | 8,000,000               | 8,000,000               |
| Fair value of assets acquired (Note 16)                 | ( 2,170,472)            | ( 2,170,472)            |
| Fair value of identifiable intangible assets (Note 10)  | ( <u>2,950,654</u> )    | ( <u>2,950,654</u> )    |
|                                                         | <u><u>2,878,874</u></u> | <u><u>2,878,874</u></u> |

Notes to the financial statements - continued  
For the year ended December 31, 2008

12. Payables and accrued expenses

|                                                 | December 31,  |                |
|-------------------------------------------------|---------------|----------------|
|                                                 | 2008          | 2007           |
|                                                 | AED'000       | AED'000        |
| Brokers' deposits                               | 15,465        | 240,723        |
| Due to UAE Securities and Commodities Authority | 2,166         | 25,907         |
| Unearned revenue                                | 7,225         | 7,458          |
| Accrued staff bonus                             | -             | 11,000         |
| Dividend payables                               | 20,165        | -              |
| Accrued expenses and other payables             | 9,263         | 3,744          |
|                                                 | <u>54,284</u> | <u>288,832</u> |

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, |         |
|---------------------------------|--------------|---------|
|                                 | 2008         | 2007    |
|                                 | AED'000      | AED'000 |
| <b>Due from a related party</b> |              |         |
| <i>Parent company</i>           |              |         |
| Borse Dubai Limited             | 4,551        | 1,097   |
| <b>Due to a related party</b>   |              |         |
| <i>Ultimate parent</i>          |              |         |
| Dubai Government                | 48,500       | 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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

**13. Related party transactions (continued)**

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

|                                                                                       | <b>Year ended December 31,</b> |                |
|---------------------------------------------------------------------------------------|--------------------------------|----------------|
|                                                                                       | <b>2008</b>                    | <b>2007</b>    |
|                                                                                       | <b>AED'000</b>                 | <b>AED'000</b> |
| Rent and service expense - Dubai World Trade Center                                   | 5,100                          | 5,292          |
| Government grants at fair value booked as deferred income - Government grant (Note 9) | 280,000                        | 280,000        |
| Available for sale investments held in the name of a related party                    | -                              | 138,000        |

***Compensation of key management personnel***

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

|                                     | <b>Year ended December 31,</b> |                |
|-------------------------------------|--------------------------------|----------------|
|                                     | <b>2008</b>                    | <b>2007</b>    |
|                                     | <b>AED'000</b>                 | <b>AED'000</b> |
| Short-term benefits                 | 9,881                          | 4,397          |
| General pension and social security | 552                            | 415            |
| Board remuneration                  | 1,971                          | -              |

**14. Provision for employees' end of service indemnity**

|                                                                                                   | <b>2008</b>    | <b>2007</b>    |
|---------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                   | <b>AED'000</b> | <b>AED'000</b> |
| Balance beginning of the year, resulting from the acquisition of Dubai Financial Market (Note 16) | 1,958          | 1,141          |
| Charged to income statement                                                                       | 735            | 904            |
| Paid during the year                                                                              | (115)          | (87)           |
| Balance at end of the year                                                                        | 2,578          | 1,958          |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**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.

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.

Notes to the financial statements - continued  
For the year ended December 31, 2008

**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<br/>value<br/>acquired<br/>AED'000</u> | <u>Fair value<br/>adjustment<br/>AED'000</u> | <u>Fair value<br/>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<br>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<br>of service indemnity | ( 1,141)                                               | -                                            | ( 1,141)                      |
| Payables and accrued expenses                        | ( 179,824)                                             | -                                            | ( 179,824)                    |
| Relation with market participants<br>(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                        |
|                                                      | <u>2,170,472</u>                                       | <u>2,950,654</u>                             | <u>5,121,126</u>              |
| Goodwill (Note 11)                                   |                                                        |                                              | <u>2,878,874</u>              |
| <b>Total price allocation</b>                        |                                                        |                                              | <u><u>8,000,000</u></u>       |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

**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><br>AED'000 | <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. Statutory and other reserves**

|                                            | <u>Statutory<br/>reserve</u><br>AED'000 | <u>Special<br/>reserve</u><br>AED'000 | <u>General<br/>reserve</u><br>AED'000 | <u>Total</u><br>AED'000 |
|--------------------------------------------|-----------------------------------------|---------------------------------------|---------------------------------------|-------------------------|
| Balance as of December 31, 2007            | 143,961                                 | 143,961                               | 143,961                               | 431,883                 |
| Transfer from net income<br>for the year   | <u>60,497</u>                           | <u>60,497</u>                         | <u>60,497</u>                         | <u>181,491</u>          |
| <b>Balance as of December 31,<br/>2008</b> | <b><u>204,458</u></b>                   | <b><u>204,458</u></b>                 | <b><u>204,458</u></b>                 | <b><u>613,374</u></b>   |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**17. Statutory and other 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 the income statement.

**18. Net initial public offering surplus**

|                                                                     | <u>AED'000</u> |
|---------------------------------------------------------------------|----------------|
| Initial public offering fees collected<br>(AED 0.03 for each share) | 48,000         |
| Less: Incorporation expenses incurred                               | ( 16,392)      |
| Surplus taken to equity during 2007                                 | 31,608         |
|                                                                     | =====          |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**19. Dividends**

Cash dividend of AED 0.10 per share dividend for 2007 was approved by the shareholders of the Company at Annual General Meeting of the Company held on March 25, 2008 and was subsequently paid during the year except for an amount of AED 20 million which is included under payables and accrued expenses.

**20. Net investment revenue**

|                                                  | <b>Year ended December 31,</b> |                       |
|--------------------------------------------------|--------------------------------|-----------------------|
|                                                  | <b>2008</b>                    | <b>2007</b>           |
|                                                  | <b>AED'000</b>                 | <b>AED'000</b>        |
| Return on Islamic investment deposits            | 104,656                        | 118,019               |
| Gain on sales of available -for-sales investment | 130,465                        | 136                   |
| Dividends                                        | <u>28,093</u>                  | <u>1,069</u>          |
|                                                  | <u><b>263,214</b></u>          | <u><b>119,224</b></u> |

**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 during the year ended December 31, 2007.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**22. General and administrative expenses**

|                                              | <b>Year ended December 31,</b> |                |
|----------------------------------------------|--------------------------------|----------------|
|                                              | <b>2008</b>                    | <b>2007</b>    |
|                                              | <b>AED'000</b>                 | <b>AED'000</b> |
| Payroll and other benefits                   | 44,352                         | 36,161         |
| Rent                                         | 5,100                          | 5,293          |
| Depreciation of property<br>and equipment    | 12,877                         | 9,746          |
| Professional expenses                        | 2,017                          | 7,373          |
| Bonus                                        | 2,015                          | 16,053         |
| Other general and<br>administrative expenses | <u>15,948</u>                  | <u>14,877</u>  |
|                                              | <u>82,309</u>                  | <u>89,503</u>  |

**23. Earning per share**

|                                          | <b>Year ended December 31,</b> |                  |
|------------------------------------------|--------------------------------|------------------|
|                                          | <b>2008</b>                    | <b>2007</b>      |
|                                          | <b>AED'000</b>                 | <b>AED'000</b>   |
| Net profit for the year (AED '000)       | <u>604,971</u>                 | <u>1,439,607</u> |
| Authorized share capital ('000)          | 8,000,000                      | 8,000,000        |
| Less: Treasury shares ('000)             | <u>( 54,236)</u>               | <u>( 54,236)</u> |
| Weighted average number of shares ('000) | <u>7,945,764</u>               | <u>7,945,764</u> |
| Earning per share – AED                  | <u>0.08</u>                    | <u>0.18</u>      |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**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:

|                                                                                              | <b>December 31,</b> |                  |
|----------------------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                              | <b>2008</b>         | <b>2007</b>      |
|                                                                                              | <b>AED'000</b>      | <b>AED'000</b>   |
| Cash on hand                                                                                 | 28                  | 25               |
| Bank balances:                                                                               |                     |                  |
| Current accounts                                                                             | 661                 | 456              |
| Saving accounts                                                                              | 1,401               | -                |
| Mudarabah accounts                                                                           | 93,457              | 154,443          |
| Islamic investment deposits maturing in less than 3 months from the date of deposit (Note 6) | <u>1,010,000</u>    | <u>1,158,450</u> |
|                                                                                              | <u>1,105,547</u>    | <u>1,313,374</u> |
|                                                                                              | =====               | =====            |

**25. Capital commitments**

|                                                        | <b>December 31,</b> |                |
|--------------------------------------------------------|---------------------|----------------|
|                                                        | <b>2008</b>         | <b>2007</b>    |
|                                                        | <b>AED'000</b>      | <b>AED'000</b> |
| Commitments for the purchase of property and equipment | 2,966               | 1,955          |
|                                                        | =====               | =====          |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**26. 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.

**27. Financial instruments**

**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 held for strategic rather trading purposes. The Company does not actively trade in 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, 2008 would have been unaffected as the equity investments are classified as available for sales investments.

Investment revaluation reserves would increase/decrease by AED 48 million (2007: AED 9 million) as a result of the changes in fair value of available-for-sale investments.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**27. Financial instruments (continued)**

**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 by matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements - continued  
For the year ended December 31, 2008

27. Financial instruments (continued)

Liquidity risk management

The liquidity profile of financial assets and financial liabilities as at December 31, 2008 were as follows:

|                                    | Within<br>3 months<br>AED'000 | Over<br>3 to 6<br>months<br>AED'000 | Over<br>6 to 12<br>months<br>AED'000 | Over<br>1 to 5<br>years<br>AED'000 | Over<br>5 years<br>AED'000 | Total<br>AED'000 |
|------------------------------------|-------------------------------|-------------------------------------|--------------------------------------|------------------------------------|----------------------------|------------------|
| <b>FINANCIAL ASSETS</b>            |                               |                                     |                                      |                                    |                            |                  |
| Cash and bank balances             | 95,547                        | -                                   | -                                    | -                                  | -                          | 95,547           |
| Islamic investment deposits        | 1,010,000                     | 301,850                             | 260,199                              | -                                  | -                          | 1,572,049        |
| Other financial assets             | -                             | -                                   | -                                    | 944,366                            | -                          | 944,366          |
| Due from a related party           | 4,551                         | -                                   | -                                    | -                                  | -                          | 4,551            |
| Other receivables                  | 30,824                        | -                                   | -                                    | -                                  | -                          | 30,824           |
| <b>Total financial assets</b>      | <b>1,140,922</b>              | <b>301,850</b>                      | <b>260,199</b>                       | <b>944,366</b>                     | <b>-</b>                   | <b>2,647,337</b> |
| <b>FINANCIAL LIABILITIES</b>       |                               |                                     |                                      |                                    |                            |                  |
| Payables and accrued expenses      | 47,059                        | -                                   | -                                    | -                                  | -                          | 47,059           |
| Due to a related party             | 48,500                        | -                                   | -                                    | -                                  | -                          | 48,500           |
| <b>Total financial liabilities</b> | <b>95,559</b>                 | <b>-</b>                            | <b>-</b>                             | <b>-</b>                           | <b>-</b>                   | <b>95,559</b>    |

Notes to the financial statements - continued  
For the year ended December 31, 2008

27. Financial instruments (continued)

Liquidity risk management

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

|                                    | Within<br>3 months<br>AED'000 | Over<br>3 to 6<br>months<br>AED'000 | Over<br>6 to 12<br>months<br>AED'000 | Over<br>1 to 5<br>years<br>AED'000 | Over<br>5 years<br>AED'000 | Total<br>AED'000 |
|------------------------------------|-------------------------------|-------------------------------------|--------------------------------------|------------------------------------|----------------------------|------------------|
| <b>FINANCIAL ASSETS</b>            |                               |                                     |                                      |                                    |                            |                  |
| Cash and bank balances             | 154,924                       | -                                   | -                                    | -                                  | -                          | 154,924          |
| Islamic investment deposits        | 1,158,450                     | 438,110                             | 561,692                              | -                                  | -                          | 2,158,252        |
| Other receivables                  | 53,882                        | -                                   | -                                    | -                                  | -                          | 53,882           |
| Other financial assets             | 490,550                       | -                                   | -                                    | 1,295,769                          | -                          | 1,786,319        |
| Due from a related party           | 1,097                         | -                                   | -                                    | -                                  | -                          | 1,097            |
| <b>Total financial assets</b>      | <u>1,858,903</u>              | <u>438,110</u>                      | <u>561,692</u>                       | <u>1,295,769</u>                   | <u>-</u>                   | <u>4,154,474</u> |
| <b>FINANCIAL LIABILITIES</b>       |                               |                                     |                                      |                                    |                            |                  |
| Payables and accrued expenses      | 281,374                       | -                                   | -                                    | -                                  | -                          | 281,374          |
| Due to a related party             | 48,500                        | -                                   | -                                    | -                                  | -                          | 48,500           |
| <b>Total financial liabilities</b> | <u>329,874</u>                | <u>-</u>                            | <u>-</u>                             | <u>-</u>                           | <u>-</u>                   | <u>329,874</u>   |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2008**

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**27. 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.

**28. Comparative figures**

Certain figures for prior year have been reclassified to confirm to current year presentation.