# Tejoori Limited

# Annual report and financial statements for the year ended 30 June 2009

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## Chairman's Statement

Welcome to Tejoori's final results for the year ended 30 June 2009.

The Board of Tejoori been focused over the past year on improving the financial performance of the Company, strengthening the management team and managing the investment portfolio.

Today, we are pleased to report to our share holders that as a consequence of a global financial crisis, we have been able to bring Tejoori Limited to a conservative position with respect to its investments. In 2009 we managed improve the liquidity of the company by reducing the exposure to Dubai real-estate and exiting one of the Lagoons plots. Our decision to stay vested in BEKON has proved to be a crises resilient investment as the company reported a higher valuation compared to the previous year.

We have also recruited a capable management team to oversee the day to day operations and ensuring compliance with UK's Alternative Investment Market (AIM) regulations. The newly launched web-site www.tejooriltd.ae offers more information about the company and recent enhancements.

## Outlook

Tejoori Limited is well positioned to manage the uncertainties of the global economy and the impact on its investments. The greater challenge remains to be the status of the company shares and the liquidity of the stock. We are working diligently to resolve this matter for our shareholders to realize the share value.

Mahmoud Al Mahmoud,
Chairman of the Board

Tejoori Limited

30 December 2009

## Directors' report

The Directors of Tejoori Limited (the "company") present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the period 1 July 2008 to 30 June 2009.

### Principal activities

The company's principal activity is that of an investment company which invests in ethical and Sharia compliant ventures worldwide.

### Listing

The company's shares were admitted to trading on the Alternative Investment Market ("AIM") of the London Stock Exchange ("LSE") on 24 March 2006.

### Listings Requirements

The company believes it has complied with the relevant provisions of the rules of the LSE governing the admission to and operation of AIM.

### Substantial Shareholding

At 30 June 2009, the company had notification that the following shareholders had a beneficial interest of 3% or more of the company's issued share capital.

| | No. of shares | % Holding |
|---|---|---|
| Khalid Nasser A. Al Nasser | 1,333,333 | 4.82% |
| Mohamed Abdulla Hasan A. Bedboosh Al Zaabi | 1,350,000 | 4.87% |
| Saad Abdulaziz A. Al Fozan | 1,666,800 | 6.02% |
| HSBC Global Custody Nominee (UK) Ltd | 1,666,800 | 6.02% |
| AL Qudra Holding (PJSC) | 2,000,000 | 7.22% |
| Mohammed Brahim S. Al Arifi | 2,186,933 | 7.89% |
| Ali Mohamed Abbas Al Khoori | 2,186,933 | 7.89% |
| Talal Ali Mohamed Abbas Khouri | 2,186,933 | 7.89% |

### Results and Dividends

The results for the year are set out in the income statement on page 15. No dividends have been proposed or declared for the year ended 30 June 2009.

**Directors' report** (continued)

**Directors**

The Directors, who served during the year and to the date of this report, were as follows:

| Director's name | Date appointed | Date resigned |
|---|---|---|
| Mahmoud Al Mahmoud | 5 April 2008 | - |
| Khalid Al Nasser | 5 April 2008 | - |
| Saad Al Fouzan | 5 April 2008 | - |
| Mohamed Abdulla Hasan A. Bedboosh Al Zaabi | 5 April 2008 | - |
| Ilke Toklu | 4 June 2009 | - |

**Directors' interests**

The directors who held office as at 30 June 2009 had the following interest in the shares of the company.

| | No. of shares | % holding |
|---|---|---|
| Khalid Al Nasser | 1,333,333 | 4.82% |
| Saad Al Fouzan | 1,666,800 | 6.02% |
| Mohamed Abdulla Hasan A. Bedboosh Al Zaabi | 1,350,000 | 4.87% |

**Sharia law compliance**

The company has retained the services of Dr. Hussain Hamid Hassan. Dr. Hassan, Professor of Sharia and Comparative Law from Cairo University, will, prior to the making of any investment, approve the relevant investment as being Sharia compliant. Dr Hassan is President of the Fatwa and Sharia Supervision Board of the following Islamic Banks and financial institutions: Dubai Islamic Bank (Dubai), Sharjah Islamic Bank (Sharjah), Emirates Islamic Bank (Dubai), Mashreqbank (Dubai), First Gulf Bank (Abu Dhabi), Al Salam Bank (Sudan), Liquidity Management Centre (Bahrain), Dubai Islamic Insurance Company (Dubai), Amlak Finance Company (Dubai), Tamweel Finance (Dubai).

In addition, Dr Hassan is a member of the Fatwa and Sharia Supervision Board of the Islamic Development Bank (Jeddah), Vice President of the Islamic International Rating Agency, a member of Sharia Standard Committee of Accounting and Auditing Organisation for Islamic Financial Institutions, and of the Islamic Fiqh Academy of the Muslim World League (Makkah). Dr Hassan acts as legal advisor to the President of Kazakhstan and advisor to the World Islamic League (Jeddah).

**Directors' report** (continued)

### Acquisition of the company's own shares

By virtue of being closed-ended and traded on a stock market, there is always the possibility of the ordinary shares trading at a discount to their Net Asset Value per Share. However, in structuring the company, the Directors have given detailed consideration to the discount risk and how this may be managed. Conditionally, the Directors have authority to buy back the ordinary Shares in issue.

There is no present intention to exercise such authority. Any repurchase of Ordinary Shares will be made subject to BVI law as appropriate and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the company) and the making and timing of any repurchase will be at the absolute discretion of the Board. Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing Net Asset Value per Share where the Board believes that purchases enhance Shareholder value.

During the period under review no Ordinary Shares were purchased.

### Further share issues

Subject to market conditions then prevailing and to all necessary consents and approvals being obtained, the Board may decide to make one or more further issue of Ordinary Shares for cash from time to time. There are no provisions of BVI law or the current Articles of Association providing for pre-emption rights for existing Shareholders on the allotment of further Ordinary Share for cash. Unless authorised by Shareholders (save for the issue of any Ordinary Shares pursuant to the exercise of any Warrants), the company will not issue further Ordinary Shares at a price below the prevailing Net Asset Value per Share unless they are first offered pro-rata to existing Shareholders or Shareholders have otherwise approved any such issue.

The Directors have the authority to issue 4,131,279 warrants. These warrants give the holder the right to acquire 1 share in the company at a price of USD1.00 per warrant. No warrants were issued during the period under review.

**Directors' report** (continued)

**Auditors**

In the case of each persons who are Directors of the company at the date when this report was approved:

- so far as each Director is aware, there is no relevant audit information of which the company's auditors are unaware; and

- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Mohamed Abdulla Hasan A. Bedboosh Al Zaabi

Saad Al Fouzan

30 December 2009

## Corporate governance statement

Whilst the BVI do not have a corporate governance regime the Directors recognise the importance of sound corporate governance, taking into account the size of the company and the fact that it is a self-managed investment company. The Board will comply with the principles of the Corporate Governance Guidelines for AIM Companies issued by the Quoted Companies Alliance.

The Board has established an audit committee comprising Mohammed Al Zaabi and Saad Al Fouzan with duties and responsibilities formally delegated to it by the Board. The audit committee is primarily responsible for ensuring that the financial performance of the company is properly monitored and reported on and for meeting with the auditors and reviewing reports from the auditors relating to the company's accounting and internal controls and for reviewing the effectiveness of the company's systems of internal control.

The company has also established a remuneration and nominations committee to review the performance of its executive Directors and review and recommend the scale and structure of their remuneration and the basis of their remuneration and the terms of their service agreements with due regard to the interests of Shareholders. In considering the remuneration of executive Directors the committee seeks to enable the company to attract and retain staff of the highest calibre. The remuneration and nomination committee will also be required to approve the allocation of warrants to employees. No Director is permitted to participate in discussions or decisions concerning his own remuneration including the grant of warrants. The committee also ensures that the Board has a formal and transparent appointment procedure and has primary responsibility for reviewing the balance and effectiveness of the Board and identifying the skills needed by the Board and by those individuals who might best provide them. The remuneration and nominations committee consists of Khalid Al Nasser and Mahmoud Al Mahmoud.

The company will comply with Rule 21 of the AIM Rules regarding dealings in the company's shares and will ensure compliance by the Directors and applicable employees. The company has adopted a share dealing code appropriate for a company admitted to trading on AIM.

The company has also established an Executive Committee ("EC") to manage the day to day operations and administrations functions on behalf of the board of directors. The executive committee is primarily responsible of review policies and procedures and give recommendations, provides oversight of the company's finances and ensures resources are available to ensure the company can meet its goals, ensure and provide comment / recommendations regarding potential investment opportunities beside provides timely information to the board regarding existing company investments, assist the company to adhere to all regulatory requirements and meets all regulatory deadlines and oversees strategic direction of the company.

The executive committee consists of Khalid Al Nasser and Mahmoud Al Mahmoud

## Audit committee report

The audit committee is appointed by the Board from the non-executive Directors of the company.

The audit committee is responsible for:

- monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the company's internal financial controls and, unless expressly addressed by the board itself, the company's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the group's internal audit function;
- making recommendations to the board , for a resolution to be put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

**Composition of the Audit Committee**

The members of the Audit Committee during the period were as follows:

| Director's name | Date appointed | Date resigned |
|---|---|---|
| Saad Al Fouzan | 2 April 2008 | - |
| Mohamed Abdulla Hasan A. Bedboosh Al Zaabi | 2 April 2008 | - |

**Audit committee report** (continued)

The board expects the Audit Committee members to have an understanding of:

- the principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the company's operations including corporate policies, company financing, products and systems of internal control;
- matters that influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management;
- the regulatory framework for the company's businesses; and
- environmental and social responsibility best practices.

## Meetings

The Audit Committee is required to meet four times per year and has an agenda linked to events in the company's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee can invite the executive management and senior representatives of the external auditors to attend any of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

## Overview of the actions taken by the Audit Committee to discharge its duties

## External auditors

The Audit Committee is responsible for the development, implementation and monitoring of the company's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the company head of finance. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

**Audit committee report** (continued)

**Overview of the actions taken by the Audit Committee to discharge its duties** (continued)

**Overview**

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors. The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the committee.

**Approval**

This report was approved by the Audit Committee and signed on its behalf by:

Saad Al Fouzan
Chairman of the Audit Committee.

Date:

### Directors' remuneration

The services of each of Mahmoud Al Mahmoud, Saad Al Fouzan, Khalid Al Nasser, and Mohammed Al Zaabi as non-executive Directors are provided under the terms of letters of appointment between the company and each of them. Each Director will receive a base fee of USD 2,500 per board meeting.

The total amounts for Directors' remuneration actually paid during the period were as follows:

| | **Fee USD** |
|---|---|
| **Name of Director** | |
| *Executive* | |
| Ilke Toklu | 2,500 |
| *Non-executive* | |
| Mahmoud Al Mahmoud | 25,000 |
| Khalid Al Nasser | 25,000 |
| Saad Al Fouzan | 15,000 |
| Mohammed Al Zaabi | 45,000 |
| | 112,500 |

Approval

This report was approved by the Board of Directors on 30 December 2009 and signed on its behalf by:

Saad Al Fouzan

Date:

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the BVI Business Companies Act, 2004. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director ..................

Director ...................

30 December 2009

# Tejoori Limited

## Balance sheet

| | Note | As at 30 June 2009 USD | 2008 USD |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 4 | 7,926,730 | 162,168 |
| Available-for-sale investment | 5 | 7,570,187 | 7,570,187 |
| Trade and other receivables | 6 | 3,251,258 | 1,915,064 |
| Advance towards acquisition of investment property | 7 | 15,934,306 | 33,806,767 |
| Property and equipment | 8 | 12,032 | 27,056 |
| **Total assets** | | 34,694,513 | 43,481,242 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Due to shareholders | 9 | 1,754,400 | 1,754,400 |
| Trade and other payables | 10 | 575,924 | 860,754 |
| **Total liabilities** | | 2,330,324 | 2,615,154 |
| **Equity** | | | |
| Share capital | 11 | 277,089 | 277,089 |
| Share premium | 12 | 41,286,207 | 41,286,207 |
| Share warrants reserve | 11 | 1,370,000 | 1,370,000 |
| Accumulated losses | | (10,569,107) | (2,067,208) |
| **Total equity** | | 32,364,189 | 40,866,088 |
| **Total liabilities and equity** | | 34,694,513 | 43,481,242 |

These financial statements were approved for issue by the Board of Directors of the company on 30 December 2009 and signed on its behalf by:

Director

Director

The notes on pages 18 to 32 form an integral part of these financial statements.

## Tejoori Limited

## Income statement

| | Note | Year ended 30 June 2009 USD | 2008 USD |
|---|---|---|---|
| **Income** | | | |
| Return on Islamic investments | | 86,839 | - |
| Gain from disposal of interest in investment property | 7 | 1,589,271 | - |
| Other (loss)/income | 14 | (189,003) | 263,491 |
| **Total income** | | 1,487,107 | 263,491 |
| **Expenses** | | | |
| Administrative and operating expenses | 15 | (1,474,425) | (1,404,788) |
| Impairment on advance to Martin Hage and advance towards acquisition of investment property | 6, 7 | (8,514,581) | - |
| **Loss for the year** | | (8,501,899) | (1,141,297) |
| Loss per share - basic | 16 | (0.31) | (0.04) |
| Loss per share - diluted | 16 | (0.28) | (0.04) |

# Tejoori Limited

## Statement of changes in shareholders' equity

| | Share capital USD | Share premium USD | Share warrants reserve USD | Accumulated losses USD | Total USD |
|---|---|---|---|---|---|
| At 1 July 2007 | 277,089 | 41,286,207 | 1,370,000 | (925,911) | 42,007,385 |
| Loss for the year | - | - | - | (1,141,297) | (1,141,297) |
| At 30 June 2008 | 277,089 | 41,286,207 | 1,370,000 | (2,067,208) | 40,866,088 |
| Loss for the year | - | - | - | (8,501,899) | (8,501,899) |
| At 30 June 2009 | 277,089 | 41,286,207 | 1,370,000 | (10,569,107) | 32,364,189 |

## Tejoori Limited

## Cash flow statement

| | Notes | Year ended 30 June 2009 USD | 2008 USD |
|---|---|---|---|
| **Operating activities** | | | |
| Loss for the year | | (8,501,899) | (1,141,297) |
| Adjustments for: | | | |
| Depreciation | 8 | 15,024 | 15,024 |
| Employees' end of service benefit | 13 | 27,431 | 32,644 |
| Foreign exchange loss/gain | 14 | 211,239 | (263,491) |
| Impairment loss | 6, 7 | 8,514,581 | - |
| Operating cash flows before changes in assets and liabilities and payment of employees' end of service benefits | | 266,376 | (1,357,120) |
| Payment of employees' end of service benefit | 13 | (54,184) | (10,879) |
| Changes in assets and liabilities: | | | |
| Advance payment for investment property | 7 | 11,043,472 | (3,162,831) |
| Trade and other receivables | 6 | (3,233,025) | 2,387,346 |
| Trade and other payables | 10 | (258,077) | (194,872) |
| Net cash generated from/(used in) operating activities | | 7,764,562 | (2,338,356) |
| **Net increase/(decrease) in cash and cash equivalents** | | 7,764,562 | (2,338,356) |
| Cash and cash equivalents, beginning of the year | | 162,168 | 2,500,524 |
| Cash and cash equivalents, end of the year | 4 | 7,926,730 | 162,168 |

The notes on pages 18 to 32 form an integral part of these financial statements.

**Tejoori Limited**

## Notes to the financial statements for the year ended 30 June 2009

## 1 Establishment and principal activities

Tejoori Limited ("the Company") is a self-managed closed-ended investment company incorporated and domiciled in the British Virgin Islands. The registered address of the company is PO Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands.

The principal activity of the Company is that of an investment company which invests in Shari'a compliant ventures worldwide.

## 2 Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below:

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

<u>Standard, amendments and interpretations to published standards that are effective for the company's accounting period beginning on or after 1 July 2009</u>

The following new standard, amendments and interpretations to existing standards have been published and are effective for accounting periods beginning on or after 1 January 2009.

- IAS 1 (revised), 'Presentation of financial statements' (effective for annual periods commencing 1 January 2009).
- IAS 16 (amendment), 'Property, plant and equipment' (effective for annual periods commencing 1 January 2009).
- IAS 19 (amendment), 'Employee benefits' (effective for annual periods commencing 1 January 2009).
- IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance' (effective for annual periods commencing 1 January 2009).
- IAS 23 (amendment), 'Borrowing costs' (effective for annual periods commencing 1 January 2009).
- IAS 28 (amendment), 'Investment in associates' (effective for annual periods commencing 1 January 2009).
- IAS 31 (amendment), 'Interest in joint ventures' (effective for annual periods commencing 1 January 2009).

## 2 Significant accounting policies (continued)

**Basis of preparation** (continued)

Standard, amendments and interpretations to published standards that are effective for the company's accounting period beginning on or after 1 July 2009 (continued)

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements' (effective for annual periods commencing 1 January 2009).
- IAS 36 (amendment), 'Impairment of assets' (effective for annual periods commencing 1 January 2009).
- IAS 38 (amendment), 'Intangible assets' (effective for annual periods commencing 1 January 2009).
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective for annual periods commencing 1 January 2009).
- IAS 40 (amendment), 'Investment property' (effective for annual periods commencing 1 January 2009).
- IAS 41 (amendment), 'Agriculture' (effective for annual periods commencing 1 January 2009).
- IFRS 1 (amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective for annual periods commencing 1 January 2009).
- IFRS 2 (amendment) 'Share-based payment' (effective for annual periods commencing 1 January 2009).
- IFRS 8 – 'Operating segments' (effective for annual periods commencing 1 January 2009).
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' (effective for annual periods commencing 1 July 2009).
- IFRIC 13, 'Customer loyalty programmes' (effective for annual periods commencing 1 July 2008).
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods commencing 1 October 2008).
- IFRIC 15, 'Agreements for construction of real estates' (effective for annual periods commencing 1 January 2009).
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective for annual periods commencing 1 July 2009).
- IFRIC 18, 'Transfers of assets from customers' (effective 1 July 2009)

Management has assessed the impact of the above standard, amendments and interpretations to published standards on its financial statements and has concluded that they are either not relevant or not material to the company's financial statements in the period of initial application, except for the amendment to IAS 1, which will affect the presentation of the statement of changes in equity and of comprehensive income.

## 2 Significant accounting policies (continued)

**Basis of preparation** (continued)

Standard, amendments and interpretations to published standards that are effective for the company's accounting period beginning on or after 1 July 2009 (continued)

This amendment does not impact the recognition, measurement or disclosure of specific transactions and other events required by other IFRS.

**Foreign currencies**

The financial statements of the company are presented in United States Dollars ("USD"), which is the functional currency in which the majority of its transactions are denominated.

Transactions denominated in foreign currencies are translated into USD at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities are translated into USD at the rates of exchange prevailing on the balance sheet date. The resulting exchange differences are accounted for in the income statement.

**Property and equipment**

Property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

| | Years |
|---|---|
| Computers | 3 |
| Furniture and fixtures | 5 |
| Office equipment | 4 |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use.

Gains and losses on disposal of property and equipment are determined by comparing the sales proceeds to their carrying amount and are taken into account in determining profit/loss for the year. Repairs and renewals expenses are charged to the income statement when the expenditure is incurred.

**Financial assets**

The company classifies its financial assets in the following categories: financial assets at fair value through profit or loss; held-to-maturity investments; and available-for-sale investment securities. Management determines the classification of its investments at initial recognition.

## 2 Significant accounting policies (continued)

**Basis of preparation** (continued)

**Financial assets** (continued)

*Financial assets at fair value through profit or loss*: This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets are designated at fair value through profit or loss when they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

*Held-to-maturity*: Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. If the company were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale.

*Available-for-sale*: Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and advances, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available-for-sale are recognised on the trade-date – the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the company has transferred substantially all risks and rewards of ownership.

## 2 Significant accounting policies (continued)

**Basis of preparation** (continued)

**Financial assets** (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in income statement. Foreign currency gains and losses arising on available-for-sale monetary financial assets are directly recognised in the income statement.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. Available for sale investments are carried at cots in cases were fair value cannot be reliably estimated.

Profit earned whilst holding investment securities is reported as return on Islamic investments.

Dividends on equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale equity instruments are not reversed through the income statement.

**Advance towards acquisition of investment property**

Advance amounts paid towards the acquisition of investment property are recognised at cost and presented as "advance towards acquisition of investment property" until the full purchase price is paid and legal and beneficial title is transferred to the Company, at which point the total purchase consideration is reclassified as investment property.

## 2 Significant accounting policies (continued)

**Basis of preparation** (continued)

**Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise current accounts and murabaha deposits with an original maturity of less than three months.

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**Research and development costs**

Amounts advanced to start up entities in respect of their research phase are expensed in the income statement when advanced.

**Provision for staff benefits**

*End of service benefits*

A provision is made for the estimated liability for employees' entitlements to annual leave and leave passage as a result of services rendered by the employees up to balance sheet date. This provision is included in trade and other payables. Provision is also made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date.

*Share-based compensation*

The company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options/warrants is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/warrant granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of wants that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to share warrant reserve in equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## 3 Financial risk management

The company's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk, profit rate risk and price risk) and credit risk. The company reviews and agrees policies for managing each of these risks and these policies are summarised below:

### 3.1 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations and fulfil commitments. Prudent liquidity risk management implies maintaining a level of cash and bank balances deemed adequate by management to finance the company's activities. Management is in the process of selling its plots of land to ensure that the company has adequate liquidity to meets its obligations and commitments as and when they fall due.

Financial liabilities comprise amount due to the shareholder and trade and other payables. These financial liabilities are due within one year from the balance sheet date.

### 3.2 Market risk

The Company may be exposed to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

*Foreign currency risk*

The Company is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to its investments denominated in Euros. This exposure is unhedged but is monitored on an ongoing basis.

*Profit rate risk*

Profit rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing profit rates on the Company's financial position and cash flows. The Company monitors profit rate risk on a regular basis.

## 3 Financial risk management (continued)

### 3.2 Market risk (continued)

*Price risk*

The company has no exposure to price risk as its available-for-sale investment is not quoted in an active market.

### 3.3 Credit risk

Credit risk is a risk that the counterparty will cause a financial loss to the company by failing to discharge an obligation. Financial assets which potentially subject the company to credit risk comprise bank balances which are only held with highly rated financial institutions and trade and other receivable. Other receivables are neither past due nor impaired and credit risk on other receivables is monitored on a regular basis.

### 3.4 Capital management

The company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### 3.5 Fair value estimation

The fair values of financial instruments are not materially different from their carrying values at the balance sheet date except for the investment in Bekon Group which is carried at cost since it is impracticable to reliably assess its fair value.

## 4 Cash and cash equivalents

| | 2009<br>USD | 2008<br>USD |
|---|---|---|
| Cash at bank | 1,142,234 | 161,934 |
| Cash in hand | 235 | 234 |
| Investment in Murabaha deposits | 6,784,261 | - |
| | 7,926,730 | 162,168 |

Cash at bank and investment in Murabaha are placed with reputable banks based in the United Arab Emirates. The Murabaha deposit carried a profit rate of 7.30% per annum.

## 5 Available-for-sale investment

Available-for-sale investment represents an unquoted investment in the BEKON Group. During the year ended 30 June 2007, the company entered into an agreement to invest up to EUR 6 million to acquire a 16.7% equity interest in the BEKON Group, the holding company of a group focused on the development, construction, marketing and operation of biogas, energy and waste treatment plants.

The company's investment in BEKON Group is carried at its cost of USD 7,570,187 (2008: 7,570,187) since it is impracticable to reliably assess its fair value.

At 30 June 2009 and 30 June 2008, the company had an investment commitment of EUR 300,000 in respect of this investment.

## 6 Trade and other receivables

| | 2009 USD | 2008 USD |
|---|---|---|
| Prepayments | 58,010 | 15,117 |
| Advances and deposits | 1,365 | 5,291 |
| Advance to Martin Hage | 1,685,592 | 1,894,656 |
| Other receivables | 3,191,883 | - |
| | 4,936,850 | 1,915,064 |
| Impairment of advance to Martin Hage | (1,685,592) | - |
| | 3,251,258 | 1,915,064 |

The company committed and invested a total of EUR 1.5 million (USD 1.9 million) in a joint venture with Martin Hage for the development of an innovative safety system for motor vehicles designed to significantly improve vehicular safety standards. The advance is now considered to be irrecoverable and, accordingly, a full impairment loss has been recognised in respect of this investment.

Other receivables at 30 June 2009 represent amounts receivable from the disposal of the company's interest in investment property (Note 7).

## 7 Advance towards acquisition of investment property

On 17 December 2006, the company and Omniyat Group closed a Musharaka agreement with the company acquiring a 25% equity stake in Omniyat Properties Eleven Limited, a British Virgin Islands Company. On 10 June 2007, the shareholders of Omniyat Properties Eleven Limited entered into a dissolution agreement in which it was agreed and acknowledged that the company surrenders its shareholding in Omniyat Properties Eleven Limited in exchange for three plots of land with an aggregate fair value of USD 86,651,520. The advance towards acquisition of investment property at 30 June 2009 and 30 June 2008 represents the deposit and premium paid on these plots of land plus legal and administration fees paid. The commitment outstanding at 30 June 2009 relating to the acquisition of these plots of land is USD 36 million (2008: USD 54 million). On 26 October 2008, the Company entered into a contract to sell its interest in one of the plots. This plot was sold for USD 12,632,743, resulting in a gain of USD 1,589,271.

An impairment loss of USD 6,828,989 has been recognized this year in respect of the carrying of the advance USD 22,763,295 as at 30 June 2009 in order to reflect its recoverable amount as at that date.

## 8 Property and equipment

| | Furniture and fixtures USD | Office equipment USD | Computers USD | Total USD |
|---|---|---|---|---|
| **Cost** | | | | |
| At 30 June 2007, 30 June 2008 and 30 June 2009 | 10,788 | 17,008 | 25,864 | 53,660 |
| **Depreciation** | | | | |
| At 1 July 2007 | 1,973 | 2,490 | 7,117 | 11,580 |
| Charge for the year | 2,172 | 4,260 | 8,592 | 15,024 |
| At 30 June 2008 | 4,145 | 6,750 | 15,709 | 26,604 |
| Charge for the year | 2,172 | 4,260 | 8,592 | 15,024 |
| At 30 June 2009 | 6,317 | 11,010 | 24,301 | 41,628 |
| **Net book amount** | | | | |
| 30 June 2009 | 4,471 | 5,998 | 1,563 | 12,032 |
| 30 June 2008 | 6,643 | 10,258 | 10,155 | 27,056 |

## 9 Due to shareholders

| | 2009 USD | 2008 USD |
|---|---|---|
| Funds due to shareholders | 1,754,400 | 1,754,400 |

In accordance with the company's placement document, the shareholding of individual investors cannot exceed eight percent of the issued and fully paid share capital. Funds received from shareholders in excess of eight percent limit are refundable to the investors unless the company is able to secure additional capital from the other shareholders.

## 10 Trade and other payables

| | 2009 USD | 2008 USD |
|---|---|---|
| Trade payables | 32,252 | 239,840 |
| Employees' end of service benefits (Note 13) | 9,324 | 36,077 |
| Directors fees (Note 18) | 295,500 | 204,000 |
| Other payables | 238,848 | 380,837 |
| | 575,924 | 860,754 |

## 11 Share capital

The authorised share capital of the company comprises 1 billion shares of USD 0.01 each (2008: 1 billion shares of USD 0.01 each).

The issued and fully paid share capital of the company comprises 27,708,864 shares of USD 0.01 each (2008: 27,708,864 shares of USD 0.01 each).

***Share warrants***

On 16 September 2006, the company granted share warrants to employees, directors and a company that provides services to the Company. The exercise price of the granted warrants is USD 1. The warrants should be exercised on or before the date falling five years from the grant date. The company has no legal or constructive obligation to repurchase or settle the share warrants in cash.

No share warrants were issued and exercised during the year under review and the number of share warrants outstanding at 30 June 2009 is 2,740,000 (2008: 2,740,000).

## 11 Share Capital (continued)

*Share warrants* (continued)

The fair value of the share warrants on grant date was based on the fair value of the company's shares of USD 1.50 per share on that date.

## 12 Share premium

Share premium represents amounts received from shareholders in excess of the nominal value of the shares allotted to them.

## 13 Employees' end of service benefits

| | 2009 USD | 2008 USD |
|---|---|---|
| Opening balance | 36,077 | 14,312 |
| Charge for the year | 27,431 | 32,644 |
| Paid during the year | (54,184) | (10,879) |
| | 9,324 | 36,077 |

## 14 Other (loss)/income

| | Year ended 30 June | |
|---|---|---|
| | 2009 USD | 2008 USD |
| Other income | 22,236 | - |
| Net foreign exchange (loss)/gain | (211,239) | 263,491 |
| | (189,003) | 263,491 |

## 15 Administrative and operating expenses

| | Year ended 30 June | |
|---|---|---|
| | 2009 | 2008 |
| | USD | USD |
| Salaries and benefits | 122,306 | 124,256 |
| Legal and professional fees | 818,180 | 305,411 |
| Administration fees | 346,259 | 627,437 |
| Employees' end of service benefits | 27,431 | 32,644 |
| Directors' remuneration and fees | 96,014 | 200,575 |
| Depreciation | 15,024 | 15,024 |
| Others | 49,211 | 99,441 |
| | 1,474,425 | 1,404,788 |

## 16 Earnings per share

The basic earnings per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

| **Basic** | 2009 | 2008 |
|---|---|---|
| Loss for the year in USD | (8,501,899) | (1,141,297) |
| Weighted average number of shares in issue | 27,708,864 | 27,708,864 |
| Basic loss per share in USD | (0.31) | (0.04) |

**Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has one category of dilutive potential ordinary shares: share warrants. For the share warrants, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share warrants. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share warrants.

## 16 Earnings per share (continued)

| | 2009 | 2008 |
|---|---|---|
| Loss for the year in USD | (8,501,899) | (1,141,297) |
| Weighted average number of shares in issue | 27,708,864 | 27,708,864 |
| Adjustment for share warrants | 2,740,000 | 2,740,000 |
| Weighted average number of shares for diluted earnings per share | 30,448,864 | 30,448,864 |
| Diluted loss per share in USD | (0.28) | (0.04) |

## 17 Segmental reporting

The directors are of the opinion that the company is engaged in a single segment of the business being Shari'a compliant investment business operating in a worldwide geographical area.

## 18 Related party transactions and balances

Related parties comprise key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the year, the company entered into significant transactions with related parties in the ordinary course of business. The transactions and balances arising from these transactions are as follows:

| | Year ended 30 June | |
|---|---|---|
| | 2009 USD | 2008 USD |
| **Transactions** | | |
| Purchase of services – McKinivan Moos Inc | - | 69,245 |
| – International Holdings Group | - | 464,660 |
| Key management remuneration | 52,901 | 239,027 |
| Directors' fees and other remuneration | 96,014 | 200,575 |

## 18 Related party transactions and balances (Continued)

| | 2009 USD | 2008 USD |
|---|---|---|
| **Balances** | | |
| Due to shareholders (Note 10) | 1,754,400 | 1,754,400 |
| Other payables - McKinivan Moos Inc | - | 51,786 |
| Other payables – International Holdings Group | - | 40,646 |
| Directors' fees and other remuneration | 295,500 | 204,000 |

Pius Jacob Sidler, a former director of the company, is a founder and partner of McKinivan Moos Inc. McKininivan Moos Inc. provided printing and marketing services, to the company. These services were provided on an arm's length basis. There were no services provided by this company in the year ended 30 June 2009

Yaqub Yousuf, a former director of the company, is the CEO of International Holdings Group (IHG), a holding company for a diverse group of business, project and investments. IHG provided support services to the company in the previous year. There were no services provided by this company in the year ended 30 June 2009.

## 19 Special purpose vehicles

The Company established the following wholly owned special purpose vehicles for the purpose of acquiring certain plots of land (Note 7).

| **Entity** | **Percentage of equity owned** 2009 | 2008 | **Country of incorporation** |
|---|---|---|---|
| Lagoons Plot 1 Limited | 100 | 100 | British Virgin Islands |
| Lagoons Plot 2 Limited | 100 | 100 | British Virgin Islands |
| Lagoons Plot 3 Limited | 100 | 100 | British Virgin Islands |