

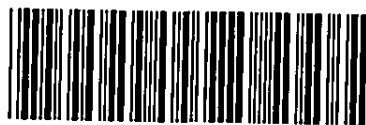
European Finance House Limited

Directors' Report and Financial Statements

Registered number 4656003

For the year ended 31 December 2007

THURSDAY



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COMPANIES HOUSE

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## **Directors' report**

The directors present their report and financial statements for the year ended 31 December 2007

### **Principal activities**

European Finance House Limited (the Company) was incorporated on 4 February 2003 with the intention of developing and offering Shari'a compliant financial products and solutions within the UK and European marketplace and to attract investment into the UK and Europe from the Gulf and Middle East

In April 2007 the Company applied to the Financial Services Authority ('FSA') for authorisation under Part IV of the Financial Services and Markets Act 2000 to allow it to act as an authorised person under the regulation of the FSA (the 'regulatory application')

During the year ended 31 December 2007, the principal activities of the Company were the research and planning required to submit the regulatory application and building the infrastructure required for live operations

The Company received authorisation from the FSA on 29 January 2008

### **Financial results and business review**

The Company was dormant during all accounting periods from its incorporation until the current year

As stated above, during the year the Company focussed on completing the regulatory application and on building the systems, operations and personnel infrastructure required to launch the bank

The financial statements for the year ended 31 December 2007 are shown on pages 8 to 21. The loss for the year amounts to £2,800,905 (Year ended 31 December 2006: £nil)

The major components of the loss were staff costs, professional advisory fees relating to the regulatory application and premises costs for the Company's head office

Subsequent to the reporting date, the Company issued 25,000,000 fully paid Ordinary shares at £1 each on 28 January 2008

### **Proposed dividend**

The directors do not propose the payment of a dividend

## Directors' report (continued)

### Directors and directors' interests

The directors who held office during the year were as follows

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani(Chairman)	Appointed as director 14 September 2006
Professor Abdul Latif Al Meer	Appointed as director 22 July 2004
Mr Michael Clark	Appointed as director 23 February 2007
Mr Philip Harding	Resigned as director 20 August 2007
Mr Salah Jaidah	Appointed as director 29 September 2005
Mr Emmanuel Limido	Appointed as director 23 February 2007
Mr David Potter	Appointed as director 8 August 2007
Mr Jean-Marc Riegel	Appointed as director 29 August 2007

Details of the Company Secretary during the year were as follows

Professor Abdul Latif Al Meer	Resigned as secretary 20 August 2007
Mr Azhar Khan	Appointed as secretary 20 August 2007

Subsequent to the reporting date the following additional appointments have been made

Mr Roderick Chamberlain and Mr David Sambar were appointed as directors on 25 February 2008. Mr Roderick Chamberlain was also appointed as Chairman of the Audit Committee on 25 February 2008. The other member of the Audit Committee is Mr Jean-Marc Riegel.

The directors who held office at the end of the year had the following interests in the shares of the Company according to the register of directors' interests

	Class of shares	Interest at end of period	Interest at start of period
Mr Michael Clark	Ordinary	1	0

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the Company as at 31 December 2007.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

## Directors' report (continued)

### Shari'a Supervisory Committee members

The Shari'a Supervisory Committee members during the period were as follows

Sheikh Walid Bin Hadi (Chairman)	Appointed 20 November 2007
Sheikh Nizam Yacouby	Appointed 20 November 2007
Dr Abdul Sattar Abu Ghuddah	Appointed 20 November 2007

### Creditor payment policy

The Company's policy is to agree terms and payment conditions before business is transacted and to pay creditors in line with those terms. The Company is not permitted to pay any interest charges and therefore it is imperative that no such charges for late payment are incurred. The amounts due to the Company's trade creditors as at 31 December 2007 represented 35 average daily purchases of goods and services calculated in accordance with the Companies Act 1985, as amended by the Statutory Instrument 1997/571.

### Political and charitable contributions

The Company made no political donations. During the year the Company made charitable donations of £2,000 to UK charities (Year ended 31 December 2006: £nil).

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director 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.

By order of the board



Azhar Khan

Company Secretary

11 September 2008

4<sup>th</sup> Floor  
Berkeley Square House  
Berkeley Square  
London  
W1J 6BY

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Shari'a Supervisory Committee report

بسم الله الرحمن الرحيم

In the name of Allah, the Most Gracious, the Most Merciful

To the Shareholders of European Finance House Limited

For the year ended 31 December 2007

السلام عليكم ورحمة الله و بركاته

In compliance with the Terms of Reference of the Company's Shari'a Supervisory Committee, we submit the following report

We have reviewed the accounts relating to the transactions entered into by European Finance House Limited during the year ended 31 December 2007

According to the Company's management all transactions during the period were on the basis of agreements approved by us

Therefore, based on representations received from the Company's management, in our opinion the transactions entered into by the Company during the year ended 31 December 2007 are in compliance with the Islamic Shari'a rules and principles and fulfil the specific directives, rulings and guidelines issued by us

We beg Allah the Almighty to grant us all success

و السلام عليكم ورحمة الله و بركاته



Sheikh Walid Bin Hadi

Chairman of the Shari'a Supervisory Committee

11 September 2008



## **Independent auditors' report to the members of European Finance House Limited**

We have audited the financial statements of European Finance House Limited ('the Company') for the year ended 31 December 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

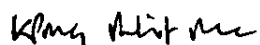
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



## Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc  
8 Salisbury Square, London, EC4Y 8BB  
Chartered Accountants  
Registered Auditor

11 September 2008

## Income statement

For the year ended 31 December 2007

	<i>Note</i>	<b>Year ended 31 December 2007 £</b>	<b>Year ended 31 December 2006 £</b>
<b>Operating income</b>			
Income from Islamic bank account deposits		<b>2,791</b>	0
<b>Total operating income</b>		<b>2,791</b>	0
Employee compensation and benefits	4	<b>1,192,805</b>	0
Legal, professional advisory and consultancy fees	5	<b>555,806</b>	0
General and administrative expenses	6	<b>909,196</b>	0
Depreciation	9	<b>71,735</b>	0
Amortisation	10	<b>74,154</b>	0
<b>Total operating expenses</b>		<b>2,803,696</b>	0
<b>Loss before income tax</b>		<b>2,800,905</b>	0
Income tax expense	7	-	-
<b>Loss for the year</b>		<b>2,800,905</b>	0

All activities are derived from continuing operations and there are no recognised gains or losses other than the result for the current year. There is no difference between the loss on ordinary activities before taxation and the result for the year stated above, and their historical cost equivalents.

The notes on pages 12 to 21 are an integral part of these financial statements.

## Balance sheet

As at 31 December 2007

	Note	31 December 2007 £	31 December 2006 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	9	1,213,226	0
Intangible assets	10	744,374	0
		<hr/>	<hr/>
		1,957,600	0
<b>Current assets</b>			
Cash and cash equivalents	8	157,024	1
Other assets	11	1,046,430	0
		<hr/>	<hr/>
		1,203,454	1
<b>Total assets</b>		<hr/>	<hr/>
		3,161,054	1
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Greater than one year due to related party	14	4,757,834	0
Less than one year other liabilities	12	1,204,124	0
		<hr/>	<hr/>
<b>Total liabilities</b>		5,961,958	0
<b>Equity</b>			
Share capital	15	1	1
Retained deficit		(2,800,905)	0
		<hr/>	<hr/>
<b>Total equity</b>		(2,800,904)	1
		<hr/>	<hr/>
<b>Total liabilities and equity</b>		3,161,054	1
		<hr/>	<hr/>

The notes on pages 12 to 21 are an integral part of these financial statements

These financial statements were approved by the Board of Directors on 11 September 2008 and were signed on its behalf by



Mr Michael Clark  
Chief Executive Officer

## Statement of changes in equity

For the year ended 31 December 2007

	Share Capital	Profit and loss	Total
	£	£	£
Balance at 1 January 2006	1	0	1
Loss for the year	0	0	0
Balance at 31 December 2006	<u>1</u>	<u>0</u>	<u>1</u>
<b>Balance at 1 January 2007</b>	<b>1</b>	<b>0</b>	<b>1</b>
Loss for the year	0	(2,800 905)	(2 800 905)
<b>Balance at 31 December 2007</b>	<u><b>1</b></u>	<u><b>(2,800,905)</b></u>	<u><b>(2,800,904)</b></u>

The notes on pages 12 to 21 are an integral part of these financial statements

## Statement of cash flows

For the year ended 31 December 2007

	<i>Note</i>	<b>Year ended 31 December 2007 £</b>	<b>Year ended 31 December 2006 £</b>
<b>Cash flows from operating activities</b>			
Loss for the year		(2,800,905)	0
Adjustments for			
Depreciation	9	71,735	0
Amortisation	10	74,154	0
Increase in assets		(1,046,430)	0
Increase in other liabilities		1,204,124	0
<b>Net cash used in operating activities</b>		<b>(2,497,322)</b>	<b>0</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	9	(1,284,961)	0
Purchase of intangible assets	10	(818,528)	0
<b>Net cash used in investing activities</b>		<b>(2,103,489)</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Increase in amounts due to related party		4,757,834	0
<b>Net cash from financing activities</b>		<b>4,757,834</b>	<b>0</b>
<b>Net increase in cash and cash equivalents</b>		<b>157,023</b>	<b>0</b>
Cash and cash equivalents at start of year		1	1
<b>Cash and cash equivalents at end of year</b>	8	<b>157,024</b>	<b>1</b>

The notes on pages 12 to 21 are an integral part of these financial statements

## Notes to the financial statements

### 1 Reporting Entity

European Finance House Limited (the Company) is incorporated in the UK. The address of the Company's registered office is 4<sup>th</sup> Floor, Berkeley Square House, Berkeley Square, London W1J 6BY. The financial statements of the Company are presented as at and for the year ended 31 December 2007. The Company was incorporated with the intention of developing and offering Shari'a compliant financial products and solutions within the UK and European marketplace and to attract investment into the UK and Europe from the Gulf and Middle East by operating as an investment bank.

### 2 Basis of preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and approved by the directors.

The financial statements were approved by the Board of Directors on 11 September 2008.

The accounting policies set out below have, unless otherwise stated, been applied consistently to the entire period presented in these financial statements.

#### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### (c) Functional and presentation currency

The financial statements are presented in Sterling, which is the Company's functional currency.

#### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

## Notes to the financial statements

### 3 Significant accounting policies

#### (a) Property and equipment

##### (i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

##### (ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

##### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation methods, useful lives and residual values are reassessed at the reporting date. The current estimated useful lives are as follows:

Computer equipment	3 Years
Office equipment	5 Years
Fixtures and fittings	5 Years
Leasehold improvements	10 Years

#### (b) Intangible assets

##### (i) Recognition and measurement

Software and computer licenses acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Company is able to use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and accumulated impairment losses.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

##### (iii) Amortisation

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets other than goodwill from the date that they are available for use. The current estimated useful lives are as follows:

Software	3 Years
Computer licenses	3 Years

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (c) Islamic bank deposits

Islamic treasury deposit account placements are based on the Islamic financing principles of Commodity Murabaha, Wakala and Mudharaba. These are common Islamic finance principles that have been approved by the Shari'a Supervisory Committee as acceptable structures used to generate Shari'a compliant income.

Transactions are recognized upon placement of funds with counterparties offering such accounts once an agreement has been signed.

Income is recognised on an effective yield basis. The effective yield rate is the rate that exactly discounts the estimated future cash payments and receipts through the agreed payment term of the contract to the carrying amount of the receivable.

The calculation of the effective yield rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective yield rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Islamic treasury deposit receivables are initially recorded at fair value and are subsequently measured at amortised cost using the effective yield method, less impairment losses. The accrued income receivable is classified under other assets.

#### (d) Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards or ownership of the financial asset are transferred. Any remaining interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

#### (e) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (f) Employee benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period for which employees have provided services. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably.

#### (g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestrictive balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

#### (h) Other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in the income statement.

#### (j) Lease payments made

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

## Notes to the financial statements

### 3 Significant accounting policies (continued)

#### (k) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations relevant to the Company have been issued, but are not yet effective within the EU and have not been applied in preparing these financial statements

- IAS 1\* Presentation of financial statements (Amendment) This becomes effective for accounting periods beginning on or after 1st January 2009. The adoption of this standard will result in changes in the presentation of the financial statements and is not expected to have any material impact on the financial position of the Company.
- IAS 23 Borrowing costs (Amendment) The amendment to this standard deals with the accounting treatment of borrowing costs for certain qualifying assets. The amendment is effective for accounting periods beginning on or after 1 January 2009 and is not expected to have any material impact on the Company.
- IAS 27\* Investment in subsidiaries (Amendment) This becomes effective for accounting periods beginning on or after 1st July 2009. The adoption of this standard will result in no material changes in the presentation of the financial statements and is not expected to have any material impact on the financial position of the Company.
- IFRS 2 Share based payments (Amendment) In October 2007 the International Accounting Standards Board proposed an amendment to IFRS 2, dealing with the recognition of certain cash settled share based payments. This amendment becomes effective for accounting periods beginning on or after 1 January 2009. The adoption of this amendment is not expected to have any material impact on the Company.
- IFRS 3\* Business combinations (Amendment) This becomes effective for accounting periods beginning on or after 1st July 2008. The adoption of this standard will result in no material changes in the presentation of the financial statements and is not expected to have any material impact on the financial position of the Company.
- IFRS 8 Operating segments IFRS 8 becomes effective for accounting periods beginning on or after 1st January 2009. This standard replaces IAS 14 - Segment Reporting and prescribes disclosure requirements in relation to the Company's operating segments, products, services and geographical areas in which it operates. The adoption of this standard is not expected to have any material impact on the financial statements.
- IFRIC 12 Service concession arrangements This was issued on 30 November 2006 and gives guidance on the accounting for public-to private service concession arrangements. This interpretation is effective for accounting periods beginning on or after 1 January 2008. The implementation of this interpretation is not expected to have any material impact on the Company.
- IFRIC 13 Customer loyalty programs This was issued on 28 June 2007 and addresses the accounting for awards provided to customers as incentives to buy goods or services. This interpretation is effective for accounting periods beginning on or after 1 July 2008. The implementation of this interpretation is not expected to have any material impact on the Company.
- IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction This becomes effective for accounting periods beginning on or after 1st January 2008. This interpretation addresses issues relating to IAS 19 - Employee Benefits and the amount of a surplus in a pension plan that entities can recognise as an asset, how a minimum funding requirement affects that limit, and when a minimum funding requirement creates an obligation that should be recognised as a liability. The adoption of this interpretation is not expected to have any material impact on the financial statements.

\* These standards have not yet been endorsed by the EU

## Notes to the financial statements

### 4 Employee compensation & benefits

	Year ended 31 December 2007 £
Directors emoluments	280,171
Salaries	726,537
Social security costs	117,177
Other staff related costs	68,920
<b>Total</b>	<b>1,192,805</b>

The aggregate of emoluments in 2007 of the highest paid director was £185,507 and Company pension contributions of £20,055 were made on his behalf

The average number of employees during the period was 6

### 5 Legal, professional advisory and consultancy fees

	Year ended 31 December 2007 £
Audit fees in respect of statutory audit	20,000
Accounting fees	320,588
Consultancy costs	99,400
Legal fees	62,568
Other professional advisory costs	53,250
<b>Total</b>	<b>555,806</b>

### 6 General and administrative expenses

	Year ended 31 December 2007 £
Premises costs	341,073
Recruitment costs	170,251
Marketing costs	116,664
Contract staff costs	63,230
IT costs	46,532
Corporate costs	56,150
Shari a Supervisory Committee costs	15,263
Other	100,033
<b>Total</b>	<b>909,196</b>

## Notes to the financial statements

### 7 Income tax expense

There were no taxable profits or recoverable losses for the year ended 31 December 2007 and, accordingly, the Company has not provided for a tax charge or a tax debtor

	Year ended 31 December 2007 £
Reconciliation of effective tax rate	
Loss before tax	(2,800,905)
Income tax at UK corporation tax rate (30%)	(840,272)
Non deductible expenses	144,597
Depreciation in excess of capital allowances on which deferred tax not recognised	21,521
Pre-trading expenses	674,154
	-
Deferred tax assets have not been recognised in respect of the following items at 28%	
Capital allowances	20,086
Pre-trading expenses	629,210
	649,296

In respect of the recognition of deferred tax assets, for the purposes of applying the requirements of IAS 12 ('Income Taxes'), the directors have taken the view that the Company is not currently at a sufficiently advanced stage in its development to recognise this asset

The corporation tax rate applicable to the Company has changed from 30% to 28% from 1 April 2008. The unrecognised deferred tax assets have been calculated at 28%

## Notes to the financial statements

### 8 Cash and cash equivalents

	Year ended 31 December 2007 £
Cash	133
Islamic short term bank deposits	156,891
<b>Total cash and cash equivalents</b>	<b>157,024</b>

### 9 Property and equipment

	Computer Equipment £	Leasehold Improvements £	Fixtures and Fittings £	Total £
<b>Cost</b>				
Balance at 1 January 2007	-	-	-	-
Additions	227,090	781,297	276,574	1,284,961
Balance at 31 December 2007	227,090	781,297	276,574	1,284,961
<b>Depreciation</b>				
Balance at 1 January 2007	-	-	-	-
Depreciation charge for the year	(35,226)	(24,659)	(11,850)	(71,735)
Balance at 31 December 2007	(35,226)	(24,659)	(11,850)	(71,735)
<b>Net book value</b>				
At 31 December 2007	191,864	756,638	264,724	1,213,226

## Notes to the financial statements

### 10 Intangible assets

	Computer Software £	Computer Licenses £	Total £
<b>Cost</b>			
Balance at 1 January 2007	-	-	-
Additions	438,384	380,144	818,528
Balance at 31 December 2007	438,384	380,144	818,528
<b>Amortisation</b>			
Balance at 1 January 2007	-	-	-
Amortisation charge for the year	(47,866)	(26,288)	(74,154)
Balance at 31 December 2007	(47,866)	(26,288)	(74,154)
<b>Net book value</b>	390,518	353,856	744,374
At 31 December 2007	390,518	353,856	744,374

### 11 Other assets

	As at 31 December 2007 £
Rental deposit	509,742
VAT recoverable	362,200
Prepayments	173,606
Other receivables	882
<b>Total</b>	<b>1,046,430</b>

### 12 Other liabilities

	As at 31 December 2007 £
Accruals	761,250
Trade payables	394,650
Social security and income tax	48,224
<b>Total</b>	<b>1,204,124</b>

## Notes to the financial statements

### 13 Operating leases

Non-cancellable operating lease rentals are payable as follows

	As at 31 December 2007 £
Less than one year	421,840
Between one and five years	1,687,360
More than five years	3,866,867
<b>Total</b>	<b>5,976,067</b>

During the year £130 889 was recognised as an expense in the income statement in respect of operating leases

### 14 Related party transactions

Qatar Islamic Bank (QIB) is a related party by virtue of the fact that Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani is Chairman of the Company and QIB. Additionally, Mr. Salah Jaidah is a director of the Company and acts as the Chief Executive Officer of QIB.

During the year all costs incurred by the Company were funded by QIB by way of cash advances. The total of such advances as at 31 December 2007 was £4,757 834. No return was payable on these advances and the total is to be repaid to QIB over 2 equal instalments to be made before 31 December 2009 and 31 December 2010.

### 15 Share capital and reserves

	As at 31 December 2007 £
<b>Authorised</b>	
50,000,000 Ordinary shares of £1.00 each	50,000,000
<b>Allotted, called up and fully paid</b>	
1 Ordinary share of £1.00 each	1

### 16 Post balance sheet events

On 28 January 2008 a total of 25,000 000 Ordinary shares of £1.00 each were allotted, called up and fully paid. On 29 January 2008 the Company received authorisation under Part IV of the Financial Services and Markets Act 2000 to allow it to act as an authorised person under the regulation of the FSA.