Al Safwa Islamic Financial Services (PJSC)

Unconsolidated financial statements
For the year ended 31 December 2011

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Contents

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited Financial Statements of Al Safwa Islamic Financial Services PJSC for the year ended December 31, 2011.

Al Safwa Islamic Financial Services PJSC was incorporated on March 11, 2006 in accordance with the provision of UAE Federal Companies law No.1984. The company has its registered office in Dubai UAE, PO Box No.185085 In order to diversify its business the company established AL Safwa Capital LLC in the Emirates of Sharjah as a fully owned subsidiary. The subsidiary has been granted license to undertake projects in investments, Finance, Manufacturing, and Trading Activities.

Financial Results

Like previous years, the year 2011 was gripped with financial market crises, financial market especially the equity market remained under pressure during the year. The local market indices touched their lowest level during the last five years.

Despite low market volume Al Safwa Brokerage revenue surged by 30%, but it declared cumulative losses of AED21.06 Million as follows

• Losses on subsidiary valuation, disposal & impairment(properties)	AED14.87 Million
• Provisioning on receivable from customers.	AED03.56 Million
• Losses from operation	AED02.63 Million

We hope the year 2012 would be better as we foresee some stability in the region which would have positive impact on the local market

The Board of Directors comprises of the following;

Name	Designation
Sk Abd El Aziz Bin Humaid Bin Rashid Al Noaimi	Chairman
Sk Mohamed Bin Ali Bin Rashid Al Nuaimi	Vice Chairman
Mr. Khalifa Yousif Abdulla Husain Khouri	Board Member
Mr. Ahmed Darwish Dagher Al Marrer	Board Member
Mr. Khalifa Moh'd Al Muhairi	Board Member
Mr. Abd El Aziz Husain Khouri	Board Member
Mr. Murtadha Ahmed Sultan	Board Member
Mr.Ali Hussain Al Sada	Board Member
Mr. Suliman Haider	Board Member

On behalf of the Board, I would like to appreciate the services of the management and employees for their dedications and hard work and expect them to perform better in future.

Auditors

KPMG has been appointed as auditor of the company for the year 2011, they are eligible for re-appointment and have expressed their willingness to continue for the year 2012

Yaqoub Ali Saeed
CEO

29 JAN 2012

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Independent Auditors' Report

The Shareholders
Al Safwa Islamic Financial Services (PJSC)

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of Al Safwa Islamic Financial Services PJSC ("the Company"), which comprise the unconsolidated statement of financial position as at 31 December 2011, the unconsolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these unconsolidated 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 about whether the unconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the unconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the unconsolidated financial statements.

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

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2011, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, and the contents of the Directors' report which relate to these unconsolidated financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2011, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

Vijendranath Malhotra
Registration No: 48 B

29 JAN 2012

Al Safwa Islamic Financial Services (PJSC)
Unconsolidated statement of financial position
As at 31 December 2011

	Note	2011 AED	2010 AED
Assets			
Non-current assets			
Property and equipment	4	5,191,452	5,620,161
Investment in subsidiary	5	-	998,298
Total non-current assets		5,191,452	6,618,459
Current assets			
Available-for-sale investment	6	3,923,865	6,293,498
Trade receivables, deposits, prepayments and other receivables	7	41,662,861	58,154,382
Amount due from related parties	8	20,044,203	32,892,701
Cash and bank balances	9	37,623,225	22,057,388
Total current assets		103,254,154	119,397,969
Total Assets		108,445,606	126,016,428
Equity			
Share capital	10	129,841,748	129,841,748
Statutory reserve	10	1,934,871	1,934,871
General reserve	10	1,934,871	1,934,871
Employees' performance share program	11	(2,000,000)	(2,000,000)
Accumulated losses		(42,669,288)	(21,605,596)
Total equity		89,042,202	110,105,894
Non-current liabilities			
Employees' end of service benefits	12	439,031	371,593
Current liabilities			
Trade and other payables	13	18,663,013	12,883,711
Amount due to related parties	8	301,360	1,205,685
Zakat payable	16	-	1,449,545
Total current liabilities		18,964,373	15,538,941
Total liabilities		19,403,404	15,910,534
Total equity and liabilities		108,445,606	126,016,428

The notes on pages 8 to 23 are an integral part of these unconsolidated financial statements.

These unconsolidated financial statements were approved and authorised for issue by the Board of Directors on January 29, 2012 and signed on its behalf by:

Chairman

The independent auditors' report is set out on page 1.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of comprehensive income

For the year ended 31 December 2011

	Note	2011 AED	2010 AED
Commission income		6,310,650	4,849,452
Other income		126,792	244,362
Total income		6,437,442	5,093,814
Staff salaries and benefits	*14*	(4,207,185)	(4,239,582)
Advertisement and business promotion		(95,727)	(155,270)
Administrative and general expenses	*15*	(4,771,530)	(3,538,233)
(Provision)/reversal of provision against receivables	*7*	(3,558,135)	2,972,456
Impairment on investment in subsidiary	*5*	(998,298)	(9,001,702)
Impairment on amount due from subsidiary	*8*	(13,870,259)	-
Net loss for the year		(21,063,692)	(8,868,517)
Other comprehensive income for the year:			
Zakat for the year 2010		-	(1,449,545)
Zakat for the year 2011	*16*	-	-
Total comprehensive loss for the year		(21,063,692)	(10,318,062)

The notes on pages 8 to 23 are an integral part of these unconsolidated financial statements.

The independent auditors' report is set out on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of changes in equity

For the year ended 31 December 2011

	Share capital AED	Statutory reserve AED	General reserve AED	Employees' performance share program AED	Accumulated losses AED	Total AED
At 1 January 2010	129,841,748	1,934,871	1,934,871	(2,000,000)	(8,790,699)	122,920,791
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(8,868,517)	(8,868,517)
Other comprehensive income for the year						
Zakat	-	-	-	-	(1,449,545)	(1,449,545)
Other comprehensive income for the year	-	-	-	-	(1,449,545)	(1,449,545)
Total comprehensive loss for the year	-	-	-	-	(10,318,062)	(10,318,062)
Transactions with owners, recorded directly in Equity						
Dividend	-	-	-	-	(2,496,835)	(2,496,835)
At 31 December 2010	**129,841,748**	**1,934,871**	**1,934,871**	**(2,000,000)**	**(21,605,596)**	**110,105,894**

The notes on pages 8 to 23 are an integral part of these unconsolidated financial statements.
The independent auditors' report is set on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of changes in equity

For the year ended 31 December 2011

	Share capital AED	Statutory reserve AED	General reserve AED	Employees' performance share program AED	Accumulated losses AED	Total AED
At 1 January 2011	129,841,748	1,934,871	1,934,871	(2,000,000)	(21,605,596)	110,105,894
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(21,063,692)	(21,063,692)
Other comprehensive income for the year						
Zakat (refer note 16)	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(21,063,692)	(21,063,692)
Transactions with owners, recorded directly in Equity						
Dividend	-	-	-	-	-	-
At 31 December 2011	**129,841,748**	**1,934,871**	**1,934,871**	**(2,000,000)**	**(42,669,288)**	**89,042,202**

The notes on pages 8 to 23 are an integral part of these unconsolidated financial statements.
The independent auditors' report is set on page 2.

Al Safwa Islamic Financial Services (PJSC)

Unconsolidated statement of cash flows

For the year ended 31 December 2011

	2011 AED	2010 AED
Cash flows from operating activities		
Net loss for the period	**(21,063,692)**	(10,318,062)
Adjustments for:		
Depreciation	**533,810**	543,174
Provision for employees' end of service benefits	**127,134**	124,367
Provision/ (reversal) of provision against receivables	**3,558,135**	(2,972,456)
Impairment on investment in subsidiary	**998,298**	9,001,702
Impairment on amount due from subsidiary	**13,870,259**	-
Profit from Murabaha	**(126,792)**	(244,362)
	(2,082,848)	(3,865,637)
Working capital changes:		
Change in trade receivables, deposits, prepayments and other receivables	**12,933,386**	(2,229,504)
Change in amount due from related parties	**(1,021,761)**	3,928,648
Change in trade and other payables	**942,188**	(4,401,730)
Change in amount due to related parties	**(904,325)**	39,110
Zakat paid	**(1,449,545)**	170,727
Less: Employees' end of service benefits paid	**(59,696)**	-
Net cash from/(used in) operating activities	**8,357,400**	(6,358,386)
Cash flows from investing activities		
Acquisition of property and equipment	**(125,101)**	(158,821)
Profit received from Murabaha	**126,792**	244,362
Reduction in available for sale investment	**2,369,633**	-
Net cash from investing activities	**2,371,324**	85,541
Cash flows from financing activities		
Dividend paid	**-**	(2,496,835)
Net cash from financing activities	**-**	(2,496,835)
Net change in cash and cash equivalents	**10,728,724**	(8,769,680)
Cash and cash equivalents at 1 January	**8,820,051**	17,589,731
Cash and cash equivalents at 31 December	**19,548,775**	8,820,051
Cash and cash equivalents at the end of year comprises:		
Cash at bank and in hand	**37,623,255**	22,057,388
Client deposits (refer note 9)	**(18,074,450)**	(13,237,337)
	19,548,775	8,820,051

The notes on pages 8 to 23 are an integral part of these unconsolidated financial statements.
The report of the independent auditors' report is set out on page 2.

1 Legal status and principal activities

Al Safwa Islamic Financial Services (PJSC) ("the Company") was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Companies Law No. 1984.

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

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

On 14 July 2009, the Company has established a subsidiary by subscribing 10,000,000 shares of AED 1 each representing 100% equity share in Al Safwa Capital LLC incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no. 8 of 1984 (as amended). Principal activity of the subsidiary is to hold investment properties. However, during the second quarter 2011, certain investment properties held by the subsidiary have been disposed off (refer note 5 and 8).

2 Basis of preparation

These unconsolidated financial statements reflect the operating results and the financial position of the Company only, and do not include the operating results and financial position of its subsidiary. The consolidated financial statements for the year ended 31 December 2011 should be referred to for a better understanding of operating results and financial position of the Company and its subsidiary.

a) Statement of compliance

The unconsolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of Federal Law No 8 of 1984 (as amended).

b) Basis of measurement

The unconsolidated financial statements have been prepared on the historical cost basis except for available for sale investment.

c) Functional currency and presentation currency

The unconsolidated financial statements have been presented in UAE Dirham's ("AED"), which is also the functional currency of the Company.

d) Use of estimate and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

d) Use of estimate and judgments *(continued)*

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a risk of material adjustment in the next year are discussed in note 17.

e) Change in accounting policies

The Company has adopted IAS 24 "Related party disclosures" (revised) effective 1 January 2011. IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The management has assessed the impact of this new standard and believes that changes have no significant affect on the unconsolidated financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these unconsolidated financial statements.

a) Revenue recognition

Commission income

~~The Company earns commission income on sale and purchase of shares and bonds on behalf of its~~ customers. Commission income is recognised on an accrual basis when services are rendered and the right to receive is established.

Murabaha income

Murabaha income is recognised on an accrual basis using effective profit rate method.

b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

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

Furniture and fixtures	3 years
Computers	3 years
Office building	15 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3 Significant accounting policies *(continued)*

c) Subsidiaries

Subsidiaries are those enterprises, which are controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The operating results and financial position of the subsidiary are included in the consolidated financial statements from the date that control effectively commences up to the date that control effectively ceases. In the unconsolidated financial statements, subsidiaries are stated at cost, less impairment, if any.

d) Offsetting

Financial assets and liabilities are offset and the net amount is reported on the reporting date only when the Company has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

e) Financial instruments

Non-derivative financial instruments comprise available for sale investment, trade and other receivables (except prepayments), cash and cash equivalents, trade and other payables and related party balances.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are not designated as another category of financial assets. Subsequent to initial recognition, they are measured at fair value and change therein, other than impairment losses are recognised directly in equity. When an investment is de-recognised, the cumulative gain or loss is transferred to statement of comprehensive income.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective profit method, less any impairment losses.

3 Significant accounting policies *(continued)*

f) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of an asset measured at amortised cost is calculated as the differences between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective profit rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks,, which includes the Company's bank balances and client deposits and short term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

i) Define contribution plan

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

3 Significant accounting policies *(continued)*

j) Provision for employees' end of service benefits

Provision for employees' end of service benefits is made in accordance with the UAE labour laws and is based on current remuneration and cumulative years of service at the statement of financial position date.

k) Employees' performance share program

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the options are granted. The cost of equity-settled transactions with employees is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award (vesting date).

l) Zakat

Zakat is provided for in accordance with the Company's articles of association. The rate of Zakat for the year is calculated at a rate of 2.5% of net assets, in accordance with the resolution of the Board of Directors advised by the Company's Sharia' Committee.

m) Foreign currency transactions

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

n) New standards and interpretations applicable but not yet effective

A number of new standards, amendments to standards and interpretations that are issued but not effective for accounting period starting 1 January 2011, and have not been early adopted in preparing these unconsolidated financial statements. None of these is expected to have a significant effect on the unconsolidated financial statements of the Company.

4 Property and equipment

	Computers AED	Furniture and fixtures AED	Office building AED	Total AED
Cost				
Balance at 1 January 2011	2,588,358	606,879	6,015,000	9,210,237
Additions	118,516	6,585	-	125,101
Disposal and write-offs	-	-	-	-
Balance at 31 December 2011	**2,706,874**	**613,464**	**6,015,000**	**9,335,338**
Accumulated depreciation				
Balance 1 January 2011	2,372,687	548,323	669,066	3,590,076
Depreciation for the year	71,356	48,495	433,959	553,810
Balance at 31 December 2011	**2,444,043**	**596,818**	**1,103,025**	**4,143,886**
Net book value				
At 31 December 2011	**262,831**	**16,646**	**4,911,975**	**5,191,452**

	Computers AED	Furniture and fixtures AED	Office building AED	Total AED
Cost				
Balance at 1 January 2010	2,457,387	579,029	6,015,000	9,051,416
Additions	130,971	27,850	-	158,821
Disposal and write-offs	-	-	-	-
Balance at 31 December 2010	**2,588,358**	**606,879**	**6,015,000**	**9,210,237**
Accumulated depreciation				
Balance 1 January 2010	2,274,279	505,656	266,967	3,046,902
Depreciation for the year	98,408	42,667	402,099	543,174
Balance at 31 December 2010	**2,372,687**	**548,323**	**669,066**	**3,590,076**
Net book value				
At 31 December 2010	**215,671**	**58,556**	**5,345,934**	**5,620,161**

5 Investment in subsidiary

	2011 AED	2010 AED
At cost:		
Unquoted shares	**998,298**	10,000,000
Less: Impairment during the year (note 5.2)	**(998,298)**	(9,001,702)
	-	998,298

5.1 Detail of the subsidiary is as follows:

Name of subsidiary	*Country of Incorporation*	*Principal Activities*	*Effective ownership interest* 31 December 2011	*Effective ownership interest* 31 December 2010
Al Safwa Capital LLC	UAE	Investment Company	**100%**	100%

5.2 At 31 December 2010, investment in subsidiary was impaired mainly due to downward movement in fair value of investment properties held by the subsidiary. During the current year, the subsidiary has disposed off its investment properties at a further loss, on the basis of which, the investment in subsidiary is fully impaired.

6 Available-for-sale investment

In June 2008, the Company subscribed to 625,000 shares of the National Mass Housing Co. SAOC incorporated in the Sultanate of Oman. These shares were allocated to the Company during the 2nd quarter of 2010 and accordingly the amount was transferred from other receivables. The cost of these shares is AED 3,923,865 (31 December 2010: 6,293,498) which represents an equity stake of 2.5%. The management believes that the fair value of this investment is not significantly different from its carrying value.

At 31 December 2011, National Mass Housing Co. SAOC has reduced its paid up capital by 40%, resulting in decrease in the cost of investment.

7 Trade receivables, deposits, prepayments and other receivables

	2011 AED	2010 AED
Receivable from customers (note 7.1)	**21,100,635**	26,439,269
Less: Allowance for impairment losses	**(5,848,437)**	(2,290,302)
	15,252,198	24,148,967
Other financial assets-margin deposits	**16,650,000**	15,000,000
Settlement due from Abu Dhabi Securities Exchange	**2,659,558**	14,742,499
Settlement due from Dubai Financial Market	**5,623,059**	2,289,060
Prepayments	**345,919**	1,045,576
Refundable deposits	**40,750**	50,750
Other receivables	**1,091,377**	877,530
	41,662,861	58,154,382

Movement in allowance for impairment of receivables:

	2010 AED	2010 AED
At 1 January	**2,290,302**	5,262,758
Charge / (reversal) for the year	**3,558,135**	(2,972,456)
Closing balance	**5,848,437**	2,290,302

7.1 As at 31 December 2011, market value of securities held as collateral amounted to AED 21.1 million *(2010: AED 26.0 million)* against the above receivables.

8 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 shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

8 Related party transactions *(continued)*

Details of transactions carried out with related parties during the year ended 31 December 2011 are as follows:

	2011 AED	2010 AED
Transactions with shareholders and subsidiary		
Commission income	**91,614**	808,304
Compensation of key management personnel		
Short term benefits	**600,000**	600,000
Long term benefits	**190,000**	190,000

Details of balances with related parties as at the balance sheet date are as follows:

	2011 AED	2010 AED
Balances with related parties		
Amount due from shareholders (note 8.1)	**15,998,245**	6,598,355
Amount due from subsidiary (note 8.2)	**4,045,958**	26,294,346
	20,044,203	32,892,701
Amount due to shareholders	**301,360**	1,205,685

8.1 Due from shareholders includes past due balance of greater than 365 days amounting to AED 15.9 million which are not provided as these are considered to be recoverable.

8.2 *Impairment on amount due from subsidiary*

During the year, an impairment loss of AED 13.8 million has been recorded on amount due from subsidiary, due to losses in the subsidiary subsequent to the disposal of the investment properties (refer note 5) and due to downward movement in fair value of investment properties held by the subsidiary.

9 Cash and bank balances

	2011 AED	2010 AED
Bank balances		
- Client deposits (Note 9.1)	18,074,450	13,237,337
- Company's bank balances	19,546,062	8,796,603
Cash in hand	2,713	23,448
	37,623,225	22,057,388

9.1 In accordance with the regulations issued by the Securities and Commodities Authority ("ESCA") the Company maintains separate bank accounts for advances received from its customers ("clients' money"). The clients' money is not available to the Company other than to settle transactions executed on behalf of the customers maintaining deposits with the Company.

10 Share capital and reserves

	2011 AED	2010 AED
Authorised, issued and fully paid up:		
129,841,748 shares of AED 1 each	129,841,748	129,841,748

Statutory reserve

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

General reserve

As required by the Company's article of association, 10% of the profit for the year has to be transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital or at the discretion of the shareholders. This reserve is attributable at the discretion of the shareholders

11 Employees' performance share program

During 2006, the Company established an Employees' Performance Share Program (the "Program") to recognise and retain good performing staff. The program gives the employee the right to purchase the Company's shares at par value. The shares carry full dividend and voting rights, and the option can be exercised at any time from the stipulated vested dates on the condition that the employee is still under employment at the exercise date. There are no cash settlement alternatives and the options have no contractual expiry date.

The Company issued share options to a number of employees which are fully vested as at 31 December 2011. The options give the employees the right to purchase 50,000 shares (2010: 50,000 shares) at par value of AED 1 per share. The fair value of the option is nil (2010: AED nil).

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

12 Employees' end of service benefits

Movement of end of service benefits are as follows:

	2011 AED	2010 AED
Provision at the beginning of the year	371,593	247,226
Provided during the year	127,134	124,367
Paid during the year	(59,696)	-
Provisions as at the end of the year	439,031	371,593

13 Trade and other payables

	2011 AED	2010 AED
Advance from customers	18,063,134	12,421,653
Other liabilities	599,879	462,058
	18,663,013	12,883,711

14 Staff salaries and benefits

	2011 AED	2010 AED
Staff salaries	3,102,566	3,105,564
Other benefits	977,485	1,007,382
Bonus	-	2,269
End of service benefits	127,134	124,367
	4,207,185	4,239,582

15 Administrative and general expenses

	2011 AED	2010 AED
Market expenses	357,825	280,237
Rent expenses	-	56,250
Professional fees	611,521	571,518
Repair and maintenance	214,880	39,959
Printing and stationery	16,970	59,380
Depreciation expenses	553,810	543,174
Utilities	98,591	92,998
Communication expenses	832,759	586,780
Bank charges	642,900	757,803
Other expenses	751,632	550,134
Prior year expenses	690,642	-
	4,771,530	3,538,233

16 Zakat Payable

The Board of Directors in its meeting dated January 19, 2012 passed a resolution that the Company shall not pay Zakat on its net assets for the year ended 31 December 2011, rather the shareholders of the Company shall bear Zakat on behalf of the Company. The amount of Zakat payable for the year ended 31 December 2011 as calculated by the Shariah' committee is AED 1.2 million.

17 Accounting estimates and judgments

Significant items where the use of estimates and judgments are required are outlined below:

(i) Impairment of receivable from customers

The Company reviews its receivable balances to assess impairment on a regular basis. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(ii) Fair value of unquoted securities

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in the making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable input, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair value hierarchy

	Level 1 AED	Level 2 AED	Level 3 AED
Financial assets – Available-for-sale	-	-	**3,923,865**
2010			
Financial assets – Available-for-sale	-	-	6,293,498

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	2011 AED	2010 AED
Balance as 1 January	**6,293,498**	6,293,498
Reduction in investment (note 6)	**(2,369,633)**	-
Balance at 31 December	**3,923,865**	6,293,498

18 Financial risk management

Overview

The Company is expected to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk;

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Directors are responsible for day-to-day monitoring of the Company's exposure to each of the credit, liquidity, market and operational risks.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The exposure to credit risk on these facilities is monitored on an on-going basis by the management.

The Company has a policy in place under which each new customer is analysed individually for creditworthiness before the Company allows these customers to open a trading account with the Company.

The carrying amounts of financial assets represent the maximum credit risk exposure at the reporting date. At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2011 AED	2010 AED
Trade receivable, deposits, other receivables	**41,316,942**	57,108,806
Due from related parties	**20,044,203**	32,892,701
Cash and cash equivalents	**37,620,512**	22,033,940
	98,981,657	112,953,447

18 Financial risk management *(continued)*

a) Credit risk *(continued)*

Cash and cash equivalents are daily clearance and settlement balances with various banks. These balances are held in the UAE.

Impairment

The aging of trade receivables and related parties are as follows:

	2011 AED	2010 AED
Not past due		-
Past due but not impaired		
Past due 0-30 days	1,307,503	5,215,289
Past due 31-180 days	12,375,078	2,417,626
More than 180 days	48,024,483	51,479,736
	61,707,064	59,112,651
Less: Impairment	(5,848,437)	(5,968,328)
	55,861,627	53,144,323

Receivables considered doubtful have been fully provided. The remaining receivables are covered by adequate security. The maximum exposure to credit risk for financial assets is concentrated within the GCC.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligation associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The financial liabilities of the Company comprise mainly trade and other payables and related party balances which are non-profit bearing with a maturity of less than six months. The contractual values of the Company's financial liabilities are not significantly different from their carrying amounts in the statement of financial position.

18 Financial risk management *(continued)*

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and profit rate, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The maximum exposure to market risk at the reporting date was:

	2011 AED	2010 AED
Available for sale investment (note 6)	**3,923,865**	6,293,498
Mudaraba deposits	**-**	15,00,000
Bank balances	**1,500,000**	500,000
	5,423,865	26,293,498

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have significant exposure to currency risk because substantial transactions are denominated in the functional currency of the Company.

Profit rate risk

The Company is exposed to profit rate risk on its profit bearing financial assets.

Sensitivity

The Company held profit bearing variable instrument of AED 1,500,000 *(2010: 15,500,000)*. An increase of 100 basis points as at the reporting date would have increased the net assets attributable to the Company and profit for the year by AED 15,000 *(2010: AED 155,000)*. A decrease of 100 basis points would have has an equal but opposite effect. Profit bearing Mudaraba deposits as at 31 December 2011 is nil *(31 December 2010: AED 15 million)*.

Equity price risk

Equity price risk arises from the change in fair value of equity investments.

Sensitivity

The Company's available for sale investment is unquoted (refer note 6). An increase of 100 basis points in fair value as at reporting date would have increased the net assets attributable to the Company and profit for the year by AED 39,238 *(2010: AED 62,935)*. A decrease would have had the same but opposite effect.

Fair value

The fair value of the Company's financial assets and liabilities as at 31 December 2011 and 31 December 2010 approximate their carrying amounts.

18 Financial risk management *(continued)*

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

To mitigate the operational risk, the Company has obtained fidelity and indemnity insurance cover against possible errors from its brokers while executing customers' orders for trades of securities in stock markets. Compliance with policies and procedures is supported by periodic reviews with the management of the business unit to which they relate.

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Regulatory capital

The Company's lead regulator, Emirates Securities and Commodities Authority (ESCA), sets and monitors the regulatory capital requirements of the Company. The Company's regulatory capital set by ESCA is AED 30 million.

There were no changes in the Company's approach to the capital management during the year. The Company has complied with all externally imposed capital requirements throughout the period.

19 Contingent liabilities and capital commitments

	2011	2010
	AED	AED
Letters of guarantee	**25,000,000**	50,000,000

The Company has arranged bank guarantees amounting to AED 15,000,000 and AED 10,000,000 to the Dubai Financial Market ("DFM") and Abu Dhabi Securities Exchange ("ADX") respectively, for the Company's fulfilment of obligations under the contract / agreement with DFM and ADX *(31 December 2010: AED 35,000,000 for DFM and AED 15,000,000 for ADX)*. The guarantees are secured against the margin deposit of AED 16,650,000 *(31 December 2010: AED15,000,000)* placed with an Islamic Bank.

20 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in these unconsolidated financial statements.