

Al Safwa Islamic Financial Services (PJSC)

INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2007

REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AL SAFWA ISLAMIC FINANCIAL SERVICES (PJSC)

Introduction

We have reviewed the accompanying interim balance sheet of Al Safwa Islamic Financial Services (PJSC) (the "Company") as of 30 September 2007, and the related interim statements of income, changes in equity and cash flow for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

Except as discussed in the following paragraph, we conducted our review in accordance with the International Standard on Review Engagements 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Scope limitation

We were not provided with supporting documents for the purchase of an investment property in Oman with a value of AED 2,923,251, which was sold during the period for AED 3,301,652. In the absence of such supporting documents, we are unable to satisfy ourselves with regard to the gain realised on the sale of the investment property included in the accompanying interim condensed financial statements of AED 378,401.

Conclusion

Based on our review, except for the effect of such adjustments as might have been determined to be necessary as a result of the proceeding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



28 October 2007
Dubai

Al Safwa Islamic Financial Services (PJSC)

INTERIM INCOME STATEMENT

Period ended 30 September 2007 (Unaudited)

	<u>Three months ended 30</u>		<u>Nine months ended 30</u>	
	<u>September</u>		<u>September</u>	
	<i>(Reviewed)</i>	<i>(unaudited)</i>	<i>(Reviewed)</i>	<i>(unaudited)</i>
	2007	2006	2007	2006
	AED	AED	AED	AED
Commission income	3,658,495	210,929	8,138,599	210,929
Establishment costs	-	-	-	(6,552,650)
General and administrative expenses	(3,667,991)	(1,759,481)	(8,927,370)	(3,529,013)
Change in fair value of trading securities	311,679	-	467,692	-
Realized gain (loss) on sale of trading securities	324,024	62,023	(863,039)	(585,716)
Realized gain on sale of investment properties	377,817	160,032	4,848,817	160,031
Murabaha income	143,955	473,889	446,807	2,428,621
Murabaha cost	-	-	-	(28,000)
Other income	112,218	-	252,758	6,342
PROFIT (LOSS) FOR THE PERIOD	1,260,197	(852,608)	4,364,264	(7,889,456)

The attached notes 1 to 8 form part of these interim condensed financial statements.

Al Safwa Islamic Financial Services (PJSC)

INTERIM BALANCE SHEET

At 30 September 2007 (Unaudited)

		(Reviewed) 30 September 2007 AED	(Audited) 31 December 2006 AED
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,430,629	2,038,062
Investment properties	5	32,226,286	66,637,805
		<u>33,656,915</u>	<u>68,675,867</u>
Current assets			
Trading securities	6	7,070,526	20,335,020
Accounts receivable and prepayments		90,270,639	16,824,119
Bank balances and cash		25,532,629	17,829,456
		<u>122,873,794</u>	<u>54,988,595</u>
TOTAL ASSETS		<u><u>156,530,709</u></u>	<u><u>123,664,462</u></u>
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' funds			
Share capital		129,841,748	129,841,748
Employee performance share program		(2,000,000)	(2,000,000)
Accumulated losses		(2,659,305)	(7,023,569)
Total shareholders' funds		<u>125,182,443</u>	<u>120,818,179</u>
Non-current liabilities			
Employees' end of service benefits		123,314	43,330
Current liabilities			
Accounts payable and accruals		31,224,952	2,802,953
Total liabilities		<u>31,348,266</u>	<u>2,846,283</u>
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES		<u><u>156,530,709</u></u>	<u><u>123,664,462</u></u>

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 28 October 2007.

Board member

Board member

The attached notes 1 to 8 form part of these interim condensed financial statements.

Al Safwa Islamic Financial Services (PJSC)

INTERIM CASH FLOW STATEMENT

Period ended 30 September 2007 (Unaudited)

	<i>Nine months ended 30 September</i>	
	<i>(Reviewed)</i>	<i>(Unaudited)</i>
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES		
Profit (Loss) for the period	4,364,264	(7,889,456)
Adjustments for:		
Depreciation	653,182	-
Provision for employees' end of service benefits	79,984	-
Change in fair value of trading securities	(467,692)	-
Loss on sale of trading securities	863,039	585,716
Profit on sale of investment properties	(4,848,817)	(160,031)
Profit from Murabaha	(446,807)	(2,428,620)
Murabaha expense	-	28,000
	<u>197,153</u>	<u>(9,864,391)</u>
Working capital changes:		
Accounts receivable and prepayments	(73,446,520)	(3,150,031)
Accounts payable and accruals	28,421,999	5,091,998
	<u>(44,827,368)</u>	<u>(7,922,424)</u>
Cash used in operation	(44,827,368)	(7,922,424)
Murabaha expense	-	(28,000)
	<u>(44,827,368)</u>	<u>(7,950,424)</u>
Net cash used in operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(45,749)	(2,522,294)
Purchase of investment properties	(14,111,732)	(57,382,725)
Proceeds from sale of investment properties	53,372,068	667,241
Purchase of trading securities	(1,182,166)	(31,957,293)
Proceeds on sale of trading securities	14,051,313	9,894,849
Profit from Murabaha	446,807	2,428,620
	<u>52,530,541</u>	<u>(78,871,602)</u>
Net cash from (used in) investing activities		
FINANCING ACTIVITIES		
Paid up share capital	-	129,841,748
Employee performance share program	-	(2,000,000)
	<u>-</u>	<u>127,841,748</u>
Net cash from financing activities		
INCREASE IN CASH AND CASH EQUIVALENTS	7,703,173	41,019,722
Cash and cash equivalents at the beginning of the period	17,829,456	-
CASH AND CASH EQUIVALENTS AT THE END TO THE PERIOD	25,532,629	41,019,722

The attached notes 1 to 8 form part of these interim condensed financial statements.

Al Safwa Islamic Financial Services (PJSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

Period ended 30 September 2007 (Unaudited)

	<i>Share Capital AED</i>	<i>Employee Performance Share Program AED</i>	<i>Accumulated Losses AED</i>	<i>Total AED</i>
<i>(Reviewed)</i>				
Balance at 1 January 2007	129,841,748	(2,000,000)	(7,023,569)	120,818,179
Profit for the period	-	-	4,364,264	4,364,264
Balance at 30 September 2007	<u>129,841,748</u>	<u>(2,000,000)</u>	<u>(2,659,305)</u>	<u>125,182,443</u>
<i>(Unaudited)</i>				
Balance at 1 January 2006	-	-	-	-
Paid up share capital	129,841,748	-	-	129,841,748
Employee performance share program	-	(2,000,000)	-	(2,000,000)
Loss for the period	-	-	(7,889,456)	(7,889,456)
Balance at 30 September 2006	<u>129,841,748</u>	<u>(2,000,000)</u>	<u>(7,889,456)</u>	<u>119,952,292</u>

The attached notes 1 to 8 form part of these interim condensed financial statements.

Al Safwa Islamic Financial Services (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Period ended 30 September 2007 (Unaudited)

1 ACTIVITIES

Al Safwa Islamic Financial Services (PJSC) (the "Company") is a private joint stock Company registered in Dubai on 11 March 2006 under the U.A.E. Commercial Companies Law of 1984 (as amended). The Company provides brokerage services in financial instruments and commodities. The company started its operations on 5 August 2006 and its registered office is P O box 185085, Dubai, United Arab Emirates.

These statements represent the Company's interim condensed financial statements and cover its activities from 1 January to 30 September 2007.

The Company's activities are not cyclical. The results for the period ended 30 September 2007 are not necessarily indicative of the results that might be expected for the financial year ending 31 December 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2006, except for the adoption of the new standards noted below:

IFRS 7 Financial Instruments Disclosures

The Company has adopted IFRS 7, which requires disclosures that enable users to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. These new disclosures will be included in the Company's annual financial statements for the year ending 31 December 2007.

IAS 1 Amendment - Presentation of Financial Statements

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures will be included in the Company's annual financial statements for the year ending 31 December 2007.

Adoption of these standards did not have any effect on the financial position or performance of the Company.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as at 31 December 2006.

3 ESTABLISHMENT COSTS

	<u>Nine-months ended</u>	
	<u>30 September</u>	
	<i>(Reviewed)</i>	<i>(Unaudited)</i>
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
Establishment costs	-	10,387,348
Share premium	-	(3,834,698)
	-	6,552,650

Establishment costs for the period ended 30 September 2006 were paid to a company related to a shareholder.

Al Safwa Islamic Financial Services (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Period ended 30 September 2007 (Unaudited)

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Furniture and fixtures AED</i>	<i>Computers and software AED</i>	<i>Total AED</i>
Cost			
As at 31 December 2006	481,572	2,083,075	2,564,647
Additions during the period	4,272	41,477	45,749
As at 30 September 2007	485,844	2,124,552	2,610,396
Depreciation			
As at 31 December 2006	60,083	466,502	526,585
Depreciation charge for the period	119,569	533,613	653,182
As at 30 September 2007	179,652	1,000,115	1,179,767
Net Book Value			
As at 30 September 2007	306,192	1,124,437	1,430,629
As at 31 December 2006	421,489	1,616,573	2,038,062

The depreciation charge for the period has been allocated in the income statement to general and administrative expenses.

5 INVESTMENT PROPERTIES

Investment properties comprise undeveloped land and developed properties as follows:

	<i>(Reviewed) 30 September 2007 AED</i>	<i>(Audited) 31 December 2006 AED</i>
a) Undeveloped Land		
Properties in the UAE	18,216,297	63,364,554
Land in Oman	-	2,923,251
Land in Jordan	-	350,000
	18,216,297	66,637,805
b) Developed properties		
Properties in the UAE	14,009,989	-
	14,009,989	-
	32,226,286	66,637,805

The plots of land in Oman were registered in the name of a shareholder. The land in Jordan was registered in the name of a third party.

Developed properties in the UAE comprise a number of commercial units acquired by the Company in a property under construction in Dubai. The Company's estimated capital commitments to acquire the developed properties in the UAE at the balance sheet date amount to AED 8,406,590.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Period ended 30 September 2007 (Unaudited)

6 TRADING SECURITIES

Trading securities comprise quoted and unquoted shares as follows:

	<i>(Reviewed)</i> 30 September 2007 AED	<i>(Audited)</i> 31 December 2006 AED
Quoted	3,367,661	16,166,925
Unquoted	3,702,865	4,168,095
	<u>7,070,526</u>	<u>20,335,020</u>

The movement in trading securities is as follows:

	<i>(Reviewed)</i> 30 September 2007 AED	<i>(Audited)</i> 31 December 2006 AED
Opening balance	20,335,020	-
Purchases during the period	1,182,166	37,548,583
Disposals during the period	(14,914,352)	(11,879,007)
Changes in fair value	467,692	(5,334,556)
	<u>7,070,526</u>	<u>20,335,020</u>

Included under quoted securities are shares listed on the Doha Securities Market with a carrying value of AED 172,600 that are registered in the name of a board member.

7 RELATED PARTIES

Related parties represent the 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.

a) Transactions with related parties included in the income statement are as follows:

	<i>Nine-months ended 30</i> <i>September</i> <i>(Reviewed)</i> 2007 AED	<i>(Unaudited)</i> 2006 AED
Commission income	490,674	-
General and administrative expenses	-	173,913
	<u>-</u>	<u>173,913</u>
Establishment cost	-	10,387,348
Shares premium settled against establishment cost	-	(3,834,698)
	<u>-</u>	<u>6,552,650</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Period ended 30 September 2007 (Unaudited)

7 RELATED PARTIES (continued)

b) Compensation of key management personnel

	<i>Nine-months ended 30</i>	
	<i>September</i>	
	<i>(Reviewed)</i>	<i>(Unaudited)</i>
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
Short term	571,691	630,000
Long term benefits	10,433	-
	<u>582,124</u>	<u>630,000</u>

c) Balances with related parties included in the balance sheet are as follows:

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 September</i>	<i>31 December</i>
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
<i>Amounts due from related parties</i>		
Shareholders	<u>19,762,903</u>	<u>219,231</u>
 <i>Amounts due to related parties</i>		
Shareholders	<u>1,389,147</u>	<u>382,040</u>

8 CONTINGENCIES

At 30 September 2007, the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to AED 50,000,000 (31 December 2006: AED 50,000,000).