

Al Safwa Islamic Financial
Services (PJSC)

Condensed unconsolidated interim financial information
30 September 2013

Al Safwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim financial information (Reviewed)

For the nine-month period ended 30 September 2013

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Independent Auditors' Report on Review of Condensed Unconsolidated Interim Financial Information

The shareholders
Al Safwa Islamic Financial Services (PJSC)

Introduction

We have reviewed the accompanying 30 September 2013 condensed unconsolidated interim financial information of Al Safwa Islamic Financial Services (PJSC) ("the Company"), consisting of:

- the condensed unconsolidated interim statement of financial position as at 30 September 2013;
- the condensed unconsolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2013;
- the condensed unconsolidated interim statement of changes in equity for the nine-month period ended 30 September 2013;
- the condensed unconsolidated interim statement of cash flows for the nine-month period ended 30 September 2013; and
- notes to the condensed unconsolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed unconsolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed unconsolidated interim financial information based on our review.

Scope of Review

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 condensed unconsolidated 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September, 2013 condensed unconsolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendranath Malhotra
Registration No : 48 B

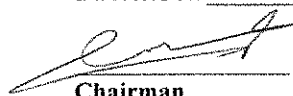
Al Safwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim statement of financial position as at

| | | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|--|-------------|---|---|
| | <i>Note</i> | | |
| Assets | | | |
| Non-current assets | | | |
| Property and equipment | | 5,016,622 | 5,448,207 |
| Investment in subsidiary | 3 | - | - |
| Total non-current assets | | 5,016,622 | 5,448,207 |
| Current assets | | | |
| Available-for-sale investment | 4 | 3,923,864 | 3,923,864 |
| Trade receivables, deposits, prepayments and other receivables | 5 | 39,819,259 | 39,933,387 |
| Amount due from related parties | 6 | 25,593,927 | 26,906,129 |
| Cash and bank balances | 7 | 43,075,632 | 27,729,673 |
| Total current assets | | 112,412,682 | 98,493,053 |
| Total assets | | 117,429,304 | 103,941,260 |
| Equity | | | |
| Share capital | | 129,841,748 | 129,841,748 |
| Statutory reserve | | 1,934,871 | 1,934,871 |
| General reserve | 13 | - | 1,934,871 |
| Treasury shares | | (2,000,000) | (2,000,000) |
| Accumulated losses | | (44,403,967) | (46,924,939) |
| Total equity | | 85,372,652 | 84,786,551 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Employees' end of service benefits | 8 | 341,646 | 362,576 |
| Current liabilities | | | |
| Trade and other payables | 9 | 31,425,006 | 17,353,852 |
| Amount due to related parties | 6 | 290,000 | 290,000 |
| Zakat payable | 12 | - | 1,148,281 |
| Total current liabilities | | 31,715,006 | 18,792,133 |
| Total liabilities | | 32,056,652 | 19,154,709 |
| Total equity and liabilities | | 117,429,304 | 103,941,260 |

The notes on pages 6 to 13 are an integral part of the condensed unconsolidated interim financial information.

The condensed unconsolidated interim financial information were approved and authorised for issue by the Board of Directors on _____ and signed on its behalf by:



Chairman

The review report of the Auditors is set out on page 1.

Al Safwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim statement of comprehensive income

For the nine month period ended 30 September 2013

| | | 9 months | | 3 months | |
|--|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | 30 September 2013 AED | 30 September 2012 AED | 30 September 2013 AED | 30 September 2012 AED |
| | Note | (Reviewed) | (Reviewed) | (Reviewed) | (Reviewed) |
| Commission income | | 5,579,195 | 3,160,976 | 1,656,560 | 474,223 |
| Other income | | 303,453 | 3,362 | 101,263 | 793 |
| Total income | | 5,882,648 | 3,164,338 | 1,757,823 | 475,016 |
| Staff salaries and benefits | 10 | (2,068,909) | (2,736,353) | (764,561) | (778,388) |
| Advertisement and business promotion | | (6,796) | (99,089) | - | (32,091) |
| Administrative and general expenses | 11 | (2,434,252) | (3,451,760) | (877,035) | (785,777) |
| Net profit/(loss) for the period | | 1,372,691 | (3,122,864) | 116,227 | (1,121,240) |
| Other comprehensive income for the period | | - | - | - | - |
| Total comprehensive income for the period | | 1,372,691 | (3,122,864) | 116,227 | (1,121,240) |

The notes on pages 6 to 13 are an integral part of the condensed unconsolidated interim financial information.

The review report of the Auditors is set out on page 1.

Al Safwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim statement of changes in equity

For the nine month period ended 30 September 2013

| | Share capital AED | Statutory reserve AED | General reserve AED | Treasury shares AED | Accumulated losses AED | Total AED |
|--|----------------------|-----------------------------|---------------------------|---------------------------|------------------------------|-------------------|
| At 1 January 2012 | 129,841,748 | 1,934,871 | 1,934,871 | (2,000,000) | (42,669,288) | 89,042,202 |
| Loss for the period | - | - | - | - | (3,122,864) | (3,122,864) |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total comprehensive loss for the period | - | - | - | - | (3,122,864) | (3,122,864) |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | | |
| Zakat | - | - | - | - | (1,202,220) | (1,202,220) |
| At 30 September 2012 (Reviewed) | 129,841,748 | 1,934,871 | 1,934,871 | (2,000,000) | (46,994,372) | 84,717,118 |
| At 1 January 2013 | 129,841,748 | 1,934,871 | 1,934,871 | (2,000,000) | (46,924,939) | 84,786,551 |
| Profit for the period | - | - | - | - | 1,372,691 | 1,372,691 |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total comprehensive income for the period | - | - | - | - | 1,372,691 | 1,372,691 |
| <i>Transactions with owners, recorded directly in equity</i> | | | | | | |
| Reversal of zakat payable for the year ended 31 December 2012 (note 12) | - | - | - | - | 1,148,281 | 1,148,281 |
| General reserve paid to shareholders as approved in Annual General Meeting (note 13) | - | - | (1,934,871) | - | - | (1,934,871) |
| At 30 September 2013 (Reviewed) | 129,841,748 | 1,934,871 | - | (2,000,000) | (44,403,967) | 85,372,652 |

The notes on pages 6 to 13 are an integral part of the condensed unconsolidated interim financial information.
The review report of the Auditors is set out on page 1.

Al Safwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim statement of cash flows

For the nine month period ended 30 September 2013

| | 30 September 2013 AED (Reviewed) | 30 September 2012 AED (Reviewed) |
|--|---|---|
| Cash flows from operating activities | | |
| Net profit/(loss) for the period | 1,372,691 | (3,122,864) |
| <i>Adjustments for:</i> | | |
| Depreciation | 537,835 | 480,923 |
| Provision for employees' end of service benefits | 45,450 | 99,186 |
| Profit from Murabaha | (303,453) | (3,362) |
| <i>Operating profit/(loss) before changes in working capital</i> | <u>1,652,523</u> | <u>(2,546,117)</u> |
| <i>Working capital changes:</i> | | |
| Change in trade receivables, deposits, prepayments and other receivables | 114,128 | (4,254,545) |
| Change in amount due from related parties | 1,312,202 | (3,922,500) |
| Change in trade and other payables | 11,939,475 | 205,193 |
| Change in amount due to related parties | - | (11,360) |
| <i>Cash flows generated from/(used in) operating activities</i> | <u>15,018,328</u> | <u>(10,529,329)</u> |
| Employees' end of service benefits paid | (66,380) | - |
| Zakat paid | - | (1,202,220) |
| <i>Net cash flows generated from/(used in) operating activities</i> | <u>14,951,948</u> | <u>(11,731,549)</u> |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (106,251) | (761,518) |
| Profit received from Murabaha | 303,453 | 3,362 |
| <i>Net cash flow generated from/(used in) investing activities</i> | <u>197,202</u> | <u>(758,156)</u> |
| Cash flows from financing activities | | |
| Distribution to shareholders | (1,791,076) | - |
| <i>Net cash flow used in financing activities</i> | <u>(1,791,076)</u> | <u>-</u> |
| Net change in cash and cash equivalents | <u>13,358,074</u> | <u>(12,489,705)</u> |
| Cash and cash equivalents at 1 January | 10,867,671 | 19,548,775 |
| Cash and cash equivalents at 30 September | <u>24,225,745</u> | <u>7,059,070</u> |
| Cash and cash equivalents at the end of period comprises: | | |
| Cash at bank and in hand (refer note 7) | 43,075,632 | 19,481,992 |
| Client deposits | (18,849,887) | (12,422,922) |
| | <u>24,225,745</u> | <u>7,059,070</u> |

The notes on pages 6 to 13 are an integral part of the condensed unconsolidated interim financial information.
The review report of the Auditors is set out on page 1.

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

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.8 of 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 established a subsidiary by subscribing to 10,000,000 shares of AED 1 each representing 100% equity in Al Safwa Capital LLC, a company incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no.8 of 1984 (as amended). The principal activity of the subsidiary is to hold investment properties and invest in shares.

2 Significant accounting policies

These condensed unconsolidated interim financial information reflect the operating results and the financial position of the Company only, i.e. these are separate condensed interim financial statements of the Company, and do not include the operating results and financial position of its subsidiary. The condensed consolidated interim financial information for the nine-month period ended 30 September 2013 should be referred to for the better understanding of operating results and financial position of the Company and its subsidiary.

a) Statement of compliance

The condensed unconsolidated interim financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim financial information do not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Company as at and for the year ended 31 December 2012.

b) Basis of preparation

The condensed unconsolidated interim financial information has been prepared on the historical cost basis, except for available for sale investment.

The accounting policies and methods of computation adopted by the Company in these condensed unconsolidated interim financial information are the same as those applied by the Company in its audited annual financial statements as at 31 December 2012, except for the adoption of the new International Financial Reporting Standards (IFRSs) which became effective as of 1 January 2013.

The adoption of the new and amended standards and interpretations did not have a material impact on the financial position or performance of the Company during the period.

(forming part of the condensed unconsolidated interim financial information)

b) Basis of preparation (continued)

The condensed unconsolidated interim financial information has been prepared in UAE Dirham's ("AED"), which is the 'functional currency'.

The Company's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited annual financial statements as at and for the year ended 31 December 2012.

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|--------------------------------|---|---|
| At cost: | | |
| Unquoted shares (at 1 January) | 10,000,000 | 10,000,000 |
| Less: Impairment (note 3.2) | (10,000,000) | (10,000,000) |
| | | |

| <i>Name of subsidiary</i> | <i>Country of Incorporation</i> | <i>Principal Activities</i> | <i>Effective ownership interest</i> |
|---------------------------|-------------------------------------|-----------------------------|--|
| | | | <div> <div>30 September 2013 (Reviewed)</div> <div>31 December 2012 (Audited)</div> </div> |
| Al Safwa Capital LLC | UAE | Investment Company | <div> <div>100%</div> <div>100%</div> </div> |

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Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

4 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 second quarter of 2010. The cost of these shares is AED 3,923,864 (31 December 2012: AED 3,923,864) 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.

5 Trade receivables, deposits, prepayments and other receivables

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|--|---|---|
| Receivable from customers (note 5.1) | 18,350,672 | 20,059,934 |
| Less: Allowance for impairment losses (note 5.2) | (5,775,995) | (5,775,995) |
| Net receivable from customers | 12,574,677 | 14,283,939 |
| Other financial assets-margin deposits (note 16) | 20,000,000 | 20,000,000 |
| Other financial deposit (note 5.3) | 6,000,000 | - |
| Settlement due from Dubai Financial Market (DFM) | 55,790 | 4,131,576 |
| Settlement due from Abu Dhabi Securities | - | 827,313 |
| Exchange (ADX) | - | 486,398 |
| Prepayments | 615,472 | 40,750 |
| Refundable deposits | 40,750 | 163,411 |
| Other receivables | 532,570 | - |
| | 39,819,259 | 39,933,387 |

5.1 As at 30 September 2013, market value of securities held as collateral amounted to AED 13 million (31 December 2012: AED 13.5 million) against above receivables.

5.2 Movement in allowance for impairment of receivables:

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|------------------------|---|---|
| At 1 January | 5,775,995 | 5,848,837 |
| Write-off | - | (72,442) |
| Closing balance | 5,775,995 | 5,775,995 |

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

5 Trade receivables, deposits, prepayments and other receivables *(continued)*

- 5.3 During the period, the Company deposited an amount of AED 6 million with a bank, against which the bank issued a letter of comfort to ADX for trading in excess of the assigned limit (for a temporary period). The deposit was released by the bank subsequent to the period end.

6 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.

Details of transactions carried out with related parties during the nine month period ended 30 September 2013 are as follows:

| | 30 September 2013 AED (Reviewed) | 30 September 2012 AED (Reviewed) |
|---|---|---|
| Transactions with shareholders | | |
| Commission income | 284,571 | 214,749 |
| Distribution to shareholders | 1,791,076 | - |
| | <u> </u> | <u> </u> |
| Compensation of key management personnel | | |
| Short term benefits | 405,000 | 405,000 |
| Long term benefits | 30,000 | 64,800 |
| | <u> </u> | <u> </u> |

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

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|---|---|---|
| Balances with related parties | | |
| Amount due from shareholders (note 6.1) | 6,460,343 | 17,772,545 |
| Amount due from subsidiary (note 6.2) | 19,133,584 | 9,133,584 |
| | <u> </u> | <u> </u> |
| | 25,593,927 | 26,906,129 |
| | <u> </u> | <u> </u> |
| Amount due to related parties | 290,000 | 290,000 |
| | <u> </u> | <u> </u> |

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

6 Related party transactions (continued)

- 6.1 Due from shareholders includes past due balance of greater than 365 days amounting to AED 6.5 million (31 December 2012: AED 5.6 million) million against which no provision has been made as these are considered to be recoverable by the directors.

As at 30 September 2013, market value of securities held as collateral amounted to AED 2.8 million (31 December 2012: AED 12 million) against these receivables.

- 6.2 During the year, the Company has advanced an amount of AED 10 million to its subsidiary for the purpose of investing in shares.

7 Cash and bank balances

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|----------------------------|---|---|
| Cash at bank | 24,218,150 | 10,862,196 |
| Cash in hand | 7,595 | 5,475 |
| Client deposits (note 7.1) | 18,849,887 | 16,862,002 |
| | <u>43,075,632</u> | <u>27,729,673</u> |

- 7.1 In accordance with the regulations issued by the Emirates 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.

8 Employees' end of service benefits

Movement of end of service benefits are as follows:

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|---|---|---|
| Provision at the beginning of the period / year | 362,576 | 493,031 |
| Provided during the period / year | 45,450 | 132,525 |
| Paid during the period / year | (66,380) | (208,980) |
| Provisions as at the end of the period / year | <u>341,646</u> | <u>362,576</u> |

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

9 Trade and other payables

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|--|---|---|
| Advance from customers | 18,849,887 | 16,862,002 |
| Other liabilities | 572,144 | 491,850 |
| Settlement due to Abu Dhabi Securities Exchange (ADX) | 12,002,975 | - |
| | <u>31,425,006</u> | <u>17,353,852</u> |

10 Staff salaries and benefits

| | 30 September 2013 AED (Reviewed) | 30 September 2012 AED (Reviewed) |
|---------------------------------|---|---|
| Employees salaries and benefits | 2,023,459 | 2,637,167 |
| End of service benefits | 45,450 | 99,186 |
| | <u>2,068,909</u> | <u>2,736,353</u> |

11 Administrative and general expenses

| | 30 September 2013 AED (Reviewed) | 30 September 2012 AED (Reviewed) |
|---------------------------------|---|---|
| Market expenses | 266,568 | 233,648 |
| Repair and maintenance | 95,075 | 72,254 |
| Printing and stationery | 15,787 | 36,342 |
| Depreciation expenses | 537,835 | 480,923 |
| Utilities | 61,638 | 55,896 |
| Communication expense | 573,426 | 684,594 |
| Bank charges | 230,313 | 295,936 |
| Legal and professional expenses | 248,381 | 907,815 |
| Other expenses | 405,229 | 684,352 |
| | <u>2,434,252</u> | <u>3,451,760</u> |

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

12 Zakat

Zakat relates to the year ended 31 December 2012 and has been calculated and approved by the Shariah' committee as AED 1.1 million. At the annual general meeting of the Shareholders held on 24 January 2013, the Shareholders resolved to pay the zakat amount directly. Accordingly, the Company's liability for Zakat has been reversed.

13 General reserve

The shareholders of the Company in the annual general meeting held on 24 January 2013, have resolved to discontinue any transfers and cancel the general reserve. It was also resolved to distribute the balance of general reserve to all shareholders. Therefore, during the year an amount of AED 1.8 million has been paid out to shareholders and the remaining amount will be paid within this year.

14 Fair value

The fair value of the Company's financial assets and liabilities as at 30 September 2013 and 31 December 2012 approximate their carrying amounts.

15 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.

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

15 Accounting estimates and judgments (continued)

| | Level 1 AED | Level 2 AED | Level 3 AED |
|--------------------------|-------------------|-------------------|-------------------|
| 30 September 2013 | | | |
| Financial assets – | | | |
| Available-for- sale | - | - | 3,923,864 |
| | <u> </u> | <u> </u> | <u> </u> |
| 31 December 2012 | | | |
| Financial assets – | | | |
| Available-for- sale | - | - | 3,923,864 |
| | <u> </u> | <u> </u> | <u> </u> |

There is no movement in the fair value of available-for-sale investment and hence, a level 3 reconciliation is not presented.

16 Contingent liabilities and capital commitments

| | 30 September 2013 AED (Reviewed) | 31 December 2012 AED (Audited) |
|----------------------|---|---|
| Letters of guarantee | 20,000,000 | 20,000,000 |
| | <u> </u> | <u> </u> |

The Company has arranged bank guarantees amounting to AED 10,000,000 and AED 10,000,000 to the Dubai Financial Market (“DFM”) and Abu Dhabi Securities Exchange (“ADX”), for the Company’s fulfilment of obligations under the contract / agreement with DFM and ADX (31 December 2012: AED 10,000,000 for DFM and AED 10,000,000 for ADX). The guarantees are secured against the margin deposit of AED 20,000,000 (31 December 2012: AED 20,000,000) placed with an Islamic Bank.

17 Comparative figures

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