

# **Al Safwa Islamic Financial Services (PJSC)**

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 JUNE 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 June 2007, and the related interim statements of income, changes in equity and cash flow for the six-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*

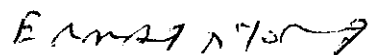
We conducted our review in accordance with the International Standard on Review Engagements 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for 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*

During our audit of the company's financial statements for the year ended 31 December 2006, we were not provided with supporting documents for the purchase and ownership of an investment property in Oman with a carrying value of AED 2,923,251. This matter has not been resolved as of 30 June 2007. In the absence of such supporting documents, we are unable to satisfy ourselves with regard to the accuracy of the purchase price during 2006 and evidence of ownership. Our audit report for the period ended 31 December 2006 was qualified with regard to this matter.

### *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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



23 July 2007  
Dubai

# Al Safwa Islamic Financial Services (PJSC)

## INTERIM INCOME STATEMENT

Period ended 30 June 2007 (Unaudited)

	<u>Three months ended 30</u>		<u>Six months ended 30</u>	
	<u>June</u>		<u>June</u>	
	<i>(Reviewed)</i>	<i>(unaudited)</i>	<i>(Reviewed)</i>	<i>(unaudited)</i>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>AED</b>	<b>AED</b>	<b>AED</b>	<b>AED</b>
Commission income	4,428,937	-	4,480,104	-
Establishment costs	-	-	-	(6,552,650)
General and administrative expenses	(3,124,259)	(1,314,195)	(5,259,378)	(1,923,267)
Change in fair value of trading securities	885,045	-	(899,740)	-
Realized loss on sale of trading securities	(131,310)	(647,739)	(131,310)	(647,739)
Realized gain on sale of investment properties	4,471,000	-	4,471,000	-
Murabaha income	148,430	716,271	302,852	1,954,731
Murabaha cost	-	-	-	(28,000)
Other income	-	160,077	140,540	160,077
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>6,677,843</b>	<b>(1,085,586)</b>	<b>3,104,068</b>	<b>(7,036,848)</b>

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

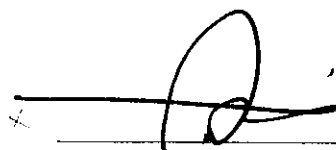
# Al Safwa Islamic Financial Services (PJSC)

## INTERIM BALANCE SHEET

At 30 June 2007 (Unaudited)

		(Reviewed) 30 June 2007 AED	(Audited) 31 December 2006 AED
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	1,653,142	2,038,062
Investment properties	5	35,149,538	66,637,805
		<u>36,802,680</u>	<u>68,675,867</u>
<b>Current assets</b>			
Trading securities	6	7,663,786	20,335,020
Accounts receivable and prepayments		59,287,256	16,824,119
Bank balances and cash		68,363,716	17,829,456
		<u>135,314,758</u>	<u>54,988,595</u>
<b>TOTAL ASSETS</b>		<u>172,117,438</u>	<u>123,664,462</u>
<b>SHAREHOLDERS' FUNDS AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital		129,841,748	129,841,748
Employee performance share program		(2,000,000)	(2,000,000)
Accumulated losses		(3,919,501)	(7,023,569)
<b>Total shareholders' funds</b>		<u>123,922,247</u>	<u>120,818,179</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits		82,858	43,330
<b>Current liabilities</b>			
Accounts payable and accruals		48,112,333	2,802,953
<b>Total liabilities</b>		<u>48,195,191</u>	<u>2,846,283</u>
<b>TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES</b>		<u>172,117,438</u>	<u>123,664,462</u>

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 23 July 2007.

  
Director



Director

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 June 2007 (Unaudited)

	<i>Six months ended 30 June</i>	
	<i>(Reviewed)</i>	<i>(Unaudited)</i>
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
<b>OPERATING ACTIVITIES</b>		
Profit (Loss) for the period	3,104,068	(7,036,848)
Adjustments for:		
Depreciation	421,863	-
Provision for employees' end of service benefits	39,528	-
Change in fair value of trading securities	899,740	-
Loss on sale of trading securities	131,310	647,739
Profit on sale of investment properties	(4,471,000)	-
Profit from Murabaha	(302,852)	(1,954,731)
Murabaha expense	-	28,000
	<u>(177,343)</u>	<u>(8,315,840)</u>
Working capital changes:		
Accounts receivable and prepayments	(42,463,137)	(5,469,298)
Accounts payable and accruals	45,309,380	7,113,740
	<u>2,668,900</u>	<u>(6,671,398)</u>
Cash from (used in) operation	2,668,900	(6,671,398)
Murabaha expense	-	(28,000)
	<u>2,668,900</u>	<u>(6,699,398)</u>
Net cash from (used in) operating activities		
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(36,943)	2,330,954
Purchase of investment properties	(14,111,733)	(50,491,524)
Proceeds from sale of investment properties	50,071,000	-
Purchase from trading securities	(442,465)	(24,636,515)
Proceeds on sale of trading securities	12,082,649	9,894,849
Profit from murabaha	302,852	1,954,731
	<u>47,865,360</u>	<u>(65,609,413)</u>
Net cash from (used in) investing activities		
<b>FINANCING ACTIVITIES</b>		
Paid up share capital	-	129,841,748
Employees' performance share program	-	(2,000,000)
	<u>-</u>	<u>127,841,748</u>
Net cash from financing activities		
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>50,534,260</b>	<b>55,532,937</b>
Cash and cash equivalents at the beginning of the period	17,829,456	-
<b>CASH AND CASH EQUIVALENTS AT THE END TO THE PERIOD</b>	<b>68,363,716</b>	<b>55,532,937</b>

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 June 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	-	-	3,104,068	3,104,068
<b>Balance at 30 June 2007</b>	<b><u>129,841,748</u></b>	<b><u>(2,000,000)</u></b>	<b><u>(3,919,501)</u></b>	<b><u>123,922,247</u></b>
<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	-	-	(7,036,848)	(7,036,848)
<b>Balance at 30 June 2006</b>	<b><u>129,841,748</u></b>	<b><u>(2,000,000)</u></b>	<b><u>(7,036,848)</u></b>	<b><u>120,804,900</u></b>

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 June 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 June 2007.

The Company's activities are not cyclical. The results for the period ended 30 June 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>Six months ended 30 June</u>	
	<u>(Reviewed)</u>	<u>(Unaudited)</u>
	<u>2007</u>	<u>2006</u>
	<u>AED</u>	<u>AED</u>
Establishment costs	-	10,387,348
Share premium	-	(3,834,698)
	<u>-</u>	<u>6,552,650</u>

Establishment costs for the period ended 30 June 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 June 2007 (Unaudited)

### 4 PROPERTY, PLANT AND EQUIPMENT

	<i>Furniture and fixtures AED</i>	<i>Computers and software AED</i>	<i>Total AED</i>
<b>Cost</b>			
As at 31 December 2006	481,572	2,083,075	2,564,647
Additions during the period	4,272	32,671	36,943
As at 30 June 2007	<b>485,844</b>	<b>2,115,746</b>	<b>2,601,590</b>
<b>Depreciation</b>			
As at 31 December 2006	60,083	466,502	526,585
Depreciation charge for the period	79,157	342,706	421,863
As at 30 June 2007	<b>139,240</b>	<b>809,208</b>	<b>948,448</b>
<b>Net Book Value</b>			
As at 30 June 2007	<b>346,604</b>	<b>1,306,538</b>	<b>1,653,142</b>
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 June 2007 AED</i>	<i>(Audited) 31 December 2006 AED</i>
<b>a) Undeveloped Land</b>		
Properties in the UAE	18,216,298	63,364,554
Land in Oman	2,923,251	2,923,251
Land in Jordan	-	350,000
	<b>21,139,549</b>	<b>66,637,805</b>
<b>b) Developed properties</b>		
Properties in the UAE	14,009,989	-
	<b>14,009,989</b>	<b>-</b>
	<b>35,149,538</b>	<b>66,637,805</b>

The plots of land in Oman are registered in the name of a shareholder. The land in Jordan is 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.



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Period ended 30 June 2007 (Unaudited)

6 TRADING SECURITIES

Trading securities comprise quoted and unquoted shares as follows:

	<i>(Reviewed)</i> <b>30 June</b> <b>2007</b> <b>AED</b>	<i>(Audited)</i> <b>31 December</b> <b>2006</b> <b>AED</b>
Quoted	<b>3,960,921</b>	16,166,925
Unquoted	<b>3,702,865</b>	4,168,095
	<b><u>7,663,786</u></b>	<b><u>20,335,020</u></b>

The movement in trading securities is as follows:

	<i>(Reviewed)</i> <b>30 June</b> <b>2007</b> <b>AED</b>	<i>(Audited)</i> <b>31 December</b> <b>2006</b> <b>AED</b>
Opening balance	<b>20,335,020</b>	-
Purchases during the period	<b>442,465</b>	37,548,583
Disposals during the period	<b>(12,213,959)</b>	(11,879,007)
Changes in fair value	<b>(899,740)</b>	(5,334,556)
	<b><u>7,663,786</u></b>	<b><u>20,335,020</u></b>

Included under quoted securities are shares listed on the Doha Securities Market with a carrying value of AED 1,146,729 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>Six months ended 30 June</i> <i>(Reviewed)</i> <b>2007</b> <b>AED</b>	<i>(Unaudited)</i> <b>2006</b> <b>AED</b>
Commission income	<b>1,327,099</b>	-
General and administrative expenses	<b>342,124</b>	173,913
	<b><u>-</u></b>	<b><u>10,387,348</u></b>
Establishment cost	-	(3,834,698)
Shares premium settled against establishment cost	-	
	<b><u>-</u></b>	<b><u>6,552,650</u></b>

# Al Safwa Islamic Financial Services (PJSC)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Period ended 30 June 2007 (Unaudited)

### 7 RELATED PARTIES (continued)

#### b) Compensation of key management personnel

	<i>Six months ended 30 June</i>	
	<i>(Reviewed)</i>	<i>(Unaudited)</i>
	<i>2007</i>	<i>2006</i>
	<i>AED</i>	<i>AED</i>
Short term	335,143	590,000
Long term benefits	6,981	-
	<u>342,124</u>	<u>590,000</u>

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

	<i>(Reviewed)</i>	<i>(Audited)</i>
	<i>30 June</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>6,459,499</u>	<u>219,231</u>
 <i>Amounts due from related parties</i>		
Shareholders	<u>1,389,147</u>	<u>382,040</u>

### 8 CONTINGENCIES

At 30 June 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).