

**AL SAFWA ISLAMIC FINANCIAL SERVICES (PJSC)  
DUBAI - UNITED ARAB EMIRATES**

**INTERIM CONDENSED FINANCIAL INFORMATION  
AND REVIEW REPORT  
FOR THE PERIOD FROM JANUARY 1, 2008  
TO JUNE 30, 2008**

**Al Safwa Islamic Financial Services (PJSC)**  
**Dubai - United Arab Emirates**

**Interim Condensed Financial Information  
and Review Report  
For the Period from January 1, 2008 to June 30, 2008**

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Ref.: 99A222FS08-REW-JUNE

## Report on Review of Interim Condensed Financial Information

**The Board of Directors  
Al Safwa Islamic Financial Services (PJSC)  
Dubai  
United Arab Emirates**

### *Introduction*

We have reviewed the accompanying interim condensed balance sheet of **Al Safwa Islamic Financial Services (PJSC), Dubai, United Arab Emirates** (the "Company") as of June 30, 2008 and the related interim condensed statements of income, changes in shareholders' equity and cash flows for the period from January 1, 2008 to June 30, 2008. Management of the Company is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 - 'Interim Financial Reporting ("IAS 34")'. Our responsibility is to express a conclusion on this interim financial information based on our review. The interim financial information for the period from January 1, 2007 to June 30, 2007 was reviewed by another auditor who issued a qualified review report on this financial information on July 23, 2007 due to a scope limitation. The financial statements as of December 31, 2007 and related notes were audited by the same auditor who issued a qualified opinion dated January 23, 2008 due to the same scope limitation. This scope limitation related to the profit recorded on the sale of an investment property in the prior year. We have relied on the previous auditor's reports in all other respects.

### *Scope of review*

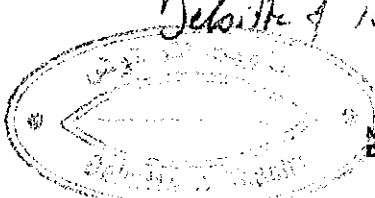
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with International Accounting Standard 34, "Interim Financial Reporting".

**Dubai  
July 16, 2008**

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**Interim Condensed Balance Sheet**  
**As of June 30, 2008**

6:30pm

The interim condensed financial information on pages 2 to 9 were approved by the Board of Directors and authorized for issue on July 16, 2008.

6:50pm

**Interim Condensed Income Statement**  
**For the period from January 1, 2008 to June 30, 2008**  
**(In Arab Emirates Dirhams)**

	<b>Six-month period ended</b>		<b>Three-month period ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(un-audited)</b>	<b>(un-audited)</b>	<b>(un-audited)</b>	<b>(un-audited)</b>
Commission income	5,815,792	4,480,104	1,966,023	4,428,937
General and administrative expenses (Note 7)	( 7,110,804)	( 5,259,378)	( 3,136,794)	( 3,095,536)
<b>Gross (loss)/profit for the period</b>	<b>( 1,295,012)</b>	<b>( 779,274)</b>	<b>( 1,170,771)</b>	<b>1,333,401</b>
Other income	329,357	443,392	73,148	119,707
Changes in fair value of held for trading investments	( 304,512)	( 899,740)	26,368	885,045
Loss on sale of held for trading investments	-	( 131,310)	-	( 131,310)
Gain on sale of investment properties	-	4,471,000	-	4,471,000
<b>Net (loss)/profit for the period</b>	<b>( 1,270,167)</b>	<b>3,104,068</b>	<b>( 1,071,255)</b>	<b>6,677,843</b>

The accompanying notes form an integral part of this interim condensed financial information.

**Al Safwa Islamic Financial Services (PJSC)**  
**Dubai - United Arab Emirates**

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**Interim Condensed Statement of Changes in Shareholders' Equity**  
**For the period from January 1, 2008 to June 30, 2008**  
**(In Arab Emirates Dirhams)**

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Retained Earnings/ (Accumulated Losses)</u>	<u>Employees performance share program</u>	<u>Total</u>
Balance at December 31, 2006 (audited)	129,841,748	-	-	( 7,023,569)	( 2,000,000)	120,818,179
Net profit for the period from January 1, 2007 to June 30, 2007 (un-audited)	-	-	-	3,104,068	-	3,104,068
Balance at June 30, 2007 (un-audited)	129,841,748	-	-	( 3,919,501)	( 2,000,000)	123,922,247
Balance at December 31, 2007 (audited)	129,841,748	1,565,935	1,565,935	5,503,908	( 2,000,000)	136,477,526
Net loss for the period from January 1, 2008 to June 30, 2008 (un-audited)	-	-	-	( 1,270,167)	-	( 1,270,167)
Dividends paid	-	-	-	( 3,895,252)	-	( 3,895,252)
Balance at June 30, 2008 (un-audited)	129,841,748	1,565,935	1,565,935	338,489	( 2,000,000)	131,312,107

The accompanying notes form an integral part of this interim condensed financial information.

**Interim Condensed Cash Flow Statement**  
**For the period from January 1, 2008 to June 30, 2008**  
**(In Arab Emirates Dirhams)**

	Period from January 1, 2008 to June 30, 2008 <u>(un-audited)</u>	Period from January 1, 2007 to June 30, 2007 <u>(un-audited)</u>
<b>Cash flows from operating activities</b>		
Net (loss)/profit for the period	( 1,270,167)	3,104,068
Adjustments for:		
Depreciation	228,941	421,863
Provision for employees' end of service indemnity	55,565	39,528
Changes in fair value of trading securities	304,512	899,740
Loss on sale of held for trading investments	-	131,310
Gain on sale of investment properties	-	( 4,471,000)
Profit from Murabaha	<u>( 139,192)</u>	<u>( 302,852)</u>
<b>Operating cash flows before changes in operating assets and liabilities</b>	( 820,341)	( 177,343)
Increase in trade and other receivables	( 39,057,239)	( 42,463,137)
(Decrease)/increase in trade and other payables	<u>( 29,984,907)</u>	<u>45,309,380</u>
<b>Cash (used in)/generated from operations</b>	( 69,862,487)	2,668,900
Employees' end of service indemnity paid	<u>( 95,283)</u>	-
<b>Net cash (used in)/from operating activities</b>	<u>( 69,957,770)</u>	<u>2,668,900</u>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	( 104,529)	( 36,943)
Purchase of investments property	-	( 14,111,733)
Proceeds from sale of investment properties	-	50,071,000
Additions to properties under development	( 4,918,746)	-
Purchase of trading securities	-	( 442,465)
Proceeds from sale of trading securities	3,904,238	12,082,649
Profit from Murabaha	<u>139,192</u>	<u>302,852</u>
<b>Net cash (used in)/from investing activities</b>	<u>( 979,845)</u>	<u>47,865,360</u>
<b>Cash flow from financing activities</b>		
Dividends paid	( 3,895,252)	-
<b>Net cash used in financing activities</b>	<u>( 3,895,252)</u>	-
<b>Net decrease in cash and cash equivalents</b>	( 74,832,867)	50,534,260
Cash and cash equivalents at beginning of the period	<u>82,223,384</u>	<u>17,829,456</u>
<b>Cash and cash equivalents at end of the period</b>	<u>7,390,517</u>	<u>68,363,716</u>

The accompanying notes form an integral part of this interim condensed financial information.

**Notes to the Interim Condensed Financial Information**  
**For the period from January 1, 2008 to June 30, 2008**

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**1. Establishment and operations**

Al Safwa Islamic Financial Services (PJSC) (the "Company"), a private joint stock, was incorporated on March 11, 2006 in accordance with the provisions of UAE Federal Companies Law No. 8 of 1984.

The address of 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.

**2. Significant accounting policies**

**Basis of preparation**

The interim condensed financial information has been prepared on the historical cost basis, except for the measurement at fair value of investment property and certain financial instruments.

This interim condensed financial information is prepared in accordance with the International Accounting Standard No. 34 – Interim Financial Reporting issued by the International Accounting Standard Board and also comply with the applicable requirements of the laws in the U.A.E.

The accounting policies used in the preparation of these interim condensed financial information are consistent with those used in the audited annual financial statements for the year ended December 31, 2007.

This interim condensed financial information do not include all the information required for full annual financial statements and should be read in conjunction with the Company's annual audited financial statements as at and for the year ended December 31, 2007. In addition, results for the six-month period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

**(a) Estimates**

The preparation of interim condensed financial information require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual audited financial statements as at and for the year ended December 31, 2007.



**Notes to the Interim Condensed Financial Information - continued**  
**For the period from January 1, 2008 to June 30, 2008**

**2. Significant accounting policies (continued)**

*(b) Financial risk management*

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended December 31, 2007.

**3. Held for trading investments**

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<b>AED</b>	<b>AED</b>
	<b>(un-audited)</b>	<b>(audited)</b>
Fair value, at the beginning of the year	5,836,135	20,335,020
Purchases during the year	-	1,227,782
Disposals during the year	( 3,904,238)	(17,303,042)
(Decrease)/increase in fair value during the year	( 304,512)	1,576,375
<b>Fair value, at the end of the period/ year</b>	<b>1,627,385</b>	<b>5,836,135</b>

**4. Trade and other receivables**

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
	<b>AED</b>	<b>AED</b>
	<b>(un-audited)</b>	<b>(audited)</b>
Receivable from customers	69,135,776	15,436,732
Other financial assets-margin deposits	15,000,000	15,000,000
Due from financial markets	234,513	12,800,758
Due from related parties	6,336,355	7,224,870
Prepayments	1,482,578	682,802
Refundable deposits	20,000	20,000
Other receivables	121,518	2,108,339
	<b>92,330,740</b>	<b>53,273,501</b>

**Notes to the Interim Condensed Financial Information - continued**  
**For the period from January 1, 2008 to June 30, 2008**

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**5. Share capital**

	<u>June 30,</u> <u>2008</u> <u>AED</u> <u>(un-audited)</u>	<u>December 31,</u> <u>2007</u> <u>AED</u> <u>(audited)</u>
Share capital consists of 129,841,748 issued and fully paid shares of AED 1 each	<u><b>129,841,748</b></u>	<u><b>129,841,748</b></u>

**6. Employees performance share program**

During 2006, the Company established an Employee Performance Share Program (the "Program") to recognize 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. The options give the employees the right to purchase specific number of shares at par value of AED 1 per share. No interim assessment of fair value of the option was performed as of June 30, 2008.

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

**Notes to the Interim Condensed Financial Information - continued**  
**For the period from January 1, 2008 to June 30, 2008**

**7. General and administrative expenses**

	<b>Period from January 1, 2008 to June 30, 2008</b>	<b>Period from January 1, 2007 to June 30, 2007</b>
	<b>AED</b>	<b>AED</b>
	<b>(un-audited)</b>	<b>(un-audited)</b>
Employees' salaries and benefits	<b>2,392,173</b>	<b>1,864,282</b>
Market expenses	<b>144,341</b>	<b>87,500</b>
Rent expenses	<b>540,002</b>	<b>508,500</b>
Business promotion expenses	<b>1,368,750</b>	<b>733,831</b>
Bonus	<b>280,000</b>	<b>61,500</b>
Professional fees	<b>579,217</b>	<b>104,928</b>
Advertisement expenses	<b>22,790</b>	<b>76,430</b>
Repair and maintenance	<b>54,782</b>	<b>1,556</b>
Printing and stationery	<b>30,259</b>	<b>26,523</b>
End of service expenses	<b>55,565</b>	<b>39,528</b>
Depreciation expenses	<b>228,941</b>	<b>421,863</b>
Utilities	<b>20,401</b>	<b>10,531</b>
Telephone and post expenses	<b>252,453</b>	<b>353,529</b>
Bank charges	<b>110,436</b>	<b>120,935</b>
Other expenses	<b>1,030,694</b>	<b>847,942</b>
	<b>7,110,804</b>	<b>5,259,378</b>

**8. Comparative amounts**

Certain amounts for the prior period were reclassified to conform to current period presentation.