

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

Condensed interim financial information
30 June 2009

Al Safwa Islamic Financial Services (PJSC)

Condensed interim financial information (Reviewed)

For the six-month period ended 30 June 2009

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P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 4030 300
Fax +971 (4) 3301 515
Website www.ae-kpmg.com

Independent auditors' report on review of condensed interim financial information

The shareholders
Al Safwa Islamic Financial Services (PJSC)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Al Safwa Islamic Financial Services (PJSC) ("the Company") as at 30 June 2009 and the related condensed interim statement of comprehensive income (comprising a condensed interim statement of comprehensive income and a separate condensed interim statement of income), condensed interim statement of changes in equity and condensed interim statement of cash flows for the six-month period then ended ("the condensed interim financial information"). Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with IAS 34, '*Interim Financial Reporting*'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The condensed interim financial information of the Company for the six-month period ended 30 June 2008 and annual financial statements for the year ended 31 December 2008, were respectively reviewed and audited by another auditor whose reports dated 16 July 2008 and 29 January 2009 expressed unqualified conclusion and opinion on those statements, respectively.

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.


KPMG

Vijendranath Malhotra
Registration No: 48 B

26 JUL 2009

Al Safwa Islamic Financial Services (PJSC)

Condensed interim statement of financial position

As at 30 June 2009

		30 June 2009 AED Reviewed	31 December 2008 AED Audited
	Note		
Assets			
Non-current assets			
Property and equipment		6,114,993	6,568,320
Investment properties		14,249,127	14,249,127
Investment properties under development		18,386,695	18,150,036
Total non-current assets		38,750,815	38,967,483
Current assets			
Investment at fair value through profit or loss	3	597,905	472,732
Trade receivables, deposits, prepayments and other receivables	4	52,647,475	52,974,331
Amount due from related parties	5	8,255,385	16,059,519
Cash and bank balances	6	25,943,259	20,085,729
Total current assets		87,444,024	89,592,311
Total Assets		126,194,839	128,559,794
Equity			
Share capital		129,841,748	129,841,748
Statutory reserve		1,565,935	1,565,935
General reserve		1,565,935	1,565,935
Employees' performance share program		(2,000,000)	(2,000,000)
Accumulated losses		(9,684,328)	(8,349,127)
Total equity		121,289,290	122,624,491
Non-current liabilities			
Employees' end of service benefits	7	182,007	189,189
Current liabilities			
Trade and other payables	8	4,423,903	5,601,160
Amount due to related parties	5	299,639	144,954
Total current liabilities		4,723,542	5,746,114
Total liabilities		4,905,549	5,935,303
Total equity and liabilities		126,194,839	128,559,794

The notes on pages 7 to 12 are an integral part of the condensed interim financial information.

The condensed interim financial information was approved by the Board of Directors on 26 July 2009 and signed on its behalf by


Vice Chairman

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

Al Safwa Islamic Financial Services (PJSC)

Condensed interim statement of income

For the six-month period ended 30 June 2009

		6 months		3 months	
		30 June 2009 AED Reviewed	30 June 2008 AED Reviewed	30 June 2009 AED Reviewed	30 June 2008 AED Reviewed
	<i>Note</i>				
Commission income		1,295,280	5,815,792	801,966	1,966,023
Other income		187,760	329,357	112,064	73,148
		<hr/>	<hr/>	<hr/>	<hr/>
Total income		1,483,040	6,145,149	914,030	2,039,171
Staff salaries and benefits	9	(1,789,903)	(2,727,738)	(857,099)	(1,159,518)
Advertisement and business promotion		(69,058)	(1,391,540)	181,537	(497,405)
Administrative and general expenses	10	(2,591,490)	(2,991,526)	(1,468,158)	(1,479,871)
Reversal of provision against receivables		3,279,827	-	-	-
Gain / (loss) on investment at fair value through profit or loss		125,173	(304,512)	89,478	26,368
		<hr/>	<hr/>	<hr/>	<hr/>
Net income/(loss) for the period		437,589	(1,270,167)	(1,140,212)	(1,071,255)
		<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 7 to 12 are an integral part of this condensed interim financial information.

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

Al Safwa Islamic Financial Services (PJSC)

Condensed interim statement of comprehensive income

For the six-month period ended 30 June 2009

	6 months		3 months	
	30 June	30 June	30 June	30 June
	2009	2008	2009	2008
	AED	AED	AED	AED
	Reviewed	Reviewed	Reviewed	Reviewed
Net income/(loss) for the period	437,589	(1,270,167)	(1,140,212)	(1,071,255)
Other comprehensive expense:				
Zakat paid	(1,772,790)	-	(1,772,790)	-
	-----	-----	-----	-----
Total comprehensive expense for the				
Period	(1,335,201)	(1,270,167)	(2,913,002)	(1,071,255)
	=====	=====	=====	=====

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Al Safwa Islamic Financial Services (PJSC)

Condensed interim statement of changes in equity

For the six-month period ended 30 June 2009

	Share capital AED	Statutory reserve AED	General reserve AED	Employees performance share program AED	Retained earnings / (Accumulated losses) AED	Total AED
At 1 January 2008	129,841,748	1,565,935	1,565,935	(2,000,000)	5,503,908	136,477,526
Total comprehensive expense for the period	-	-	-	-	(1,270,167)	(1,270,167)
At 30 June 2008 (Reviewed)	129,841,748	1,565,935	1,565,935	(2,000,000)	4,233,741	135,207,359
At 1 January 2009	129,841,748	1,565,935	1,565,935	(2,000,000)	(8,349,127)	122,624,491
Total comprehensive expense for the period	-	-	-	-	(1,335,201)	(1,335,201)
At 30 June 2009 (Reviewed)	129,841,748	1,565,935	1,565,935	(2,000,000)	(9,684,328)	121,289,290

The notes on pages 7 to 12 are an integral part of this interim financial information.

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Al Safwa Islamic Financial Services (PJSC)

Condensed interim statement of cash flows

For the six-month period ended 30 June 2009

	30 June 2009 AED Reviewed	30 June 2008 AED Reviewed
Cash flows from operating activities		
Net profit / (loss) for the period	437,589	(1,270,167)
<i>Adjustments for:</i>		
Depreciation	546,553	228,941
Provision for employees' end of service benefits	58,490	55,565
Reversal of provision against receivables	(3,279,827)	-
(Gain) / loss on investment at fair value through profit or loss	(125,173)	304,512
Profit from Murabaha	(187,760)	(139,192)
<i>Operating loss before changes in working capital</i>	<i>(2,550,128)</i>	<i>(820,341)</i>
<i>Working capital changes</i>		
Change in trade receivables, deposits, prepayments and other receivables	3,606,641	(30,487,596)
Change in amount due from related parties	7,804,134	(8,569,643)
Change in trade and other payables	(1,177,257)	(28,579,117)
Change in amount due to related parties	154,685	(1,405,790)
Zakat paid	(1,772,789)	-
<i>Cash flows from operating activities</i>	<i>6,065,286</i>	<i>69,862,487</i>
Less: Employees' end of service benefits paid	(65,672)	(95,283)
<i>Net cash from operating activities</i>	<i>5,999,614</i>	<i>69,957,770</i>
Cash flows from investing activities		
Acquisition of property and equipment	(93,185)	(104,529)
Proceeds from sale of held for trading investments	-	3,904,238
Additions to properties under development	(236,659)	(4,918,746)
Profit received from Murabaha	187,760	139,192
<i>Net cash used in investing activities</i>	<i>(142,084)</i>	<i>(979,845)</i>
Cash flows used in financing activities	-	(3,895,252)
Net change in cash and cash equivalents	5,857,530	(74,832,867)
Cash and cash equivalents at 1 January	20,085,729	82,223,384
Cash and cash equivalents at 30 June	25,943,259	7,390,517
Cash and cash equivalents at the end of year comprises:		
Cash at bank and in hand	22,757,029	2,478,032
Client deposits (refer note 6)	3,186,230	4,912,485
	25,943,259	7,390,517

The notes on pages 7 to 12 are an integral part of this 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 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. 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.

2 Significant accounting policies

a) Statement of compliance

The condensed interim financial information has been prepared in accordance with International Financial Reporting Standard ("IFRS"), 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 2008.

b) Basis of preparation

The interim financial information has been prepared on the historical cost basis, except for the measurement at fair value of investment property and financial instruments held at fair value through profit or loss.

The Company has consistently applied the accounting policies and method of computation used for the preparation of last annual financial statements for the year ended 31 December 2008.

However, the Company has adopted IAS 1 'Presentation of financial statements' (Revised 2007) for the first time in preparation of this condensed interim financial information. The revised IAS 1, which became applicable for annual periods beginning on or after 1 January 2009, affects the presentation and disclosure of this condensed interim financial information and does not affect the Company's reported profit or loss or equity.

IAS 1 – Presentation of financial statements (Revised 2007)

The revised IAS introduces the term 'total comprehensive income' which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The Company has applied the revised IAS 1 retrospectively and has adopted two statement approach to present comprehensive income i.e. income statement and a separate statement of comprehensive income. Further the revised IAS 1 has also changed the title of 'balance sheet' to 'statement of financial position'.

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited financial statements as at and for the year ended 31 December 2008.

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed interim financial information)

2 Significant accounting policies (continued)

b) Basis of preparation (continued)

The condensed interim financial information has been prepared in UAE Dirhams ("AED"), which is the 'functional currency' of the Company under the historical cost convention.

c) Financial risk management

The Company's financial risk management objectives, policies and procedures are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2008.

3 Investment at fair value through profit or loss

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
Equity investments – held for trading		
Fair value at the beginning of the period /year	472,732	5,836,135
Purchases during the period/year	-	-
Disposals during the period/year	-	(3,904,238)
Gain/(loss) on revaluation in fair value during the period/year	125,173	(1,459,165)
	<u>597,905</u>	<u>472,732</u>

In November 2006, the Company subscribed to 251,446 shares of the Dubai Financial Market (DFM). These shares were allocated to the Company as part of DFM's initial public offering. The cost of the shares was AED 258,989. As at 30 June 2009 the shares were valued at 409,857 (31 December 2008: AED: 314,308).

4 Trade receivables, deposits, prepayments and other receivables

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
Receivable from customers	27,690,937	32,730,115
Less: Allowance for impairment losses	(8,027,362)	(11,500,000)
	<u>19,663,575</u>	<u>21,230,115</u>
Other financial assets-margin deposits	15,000,000	15,000,000
Settlement due from Abu Dhabi Securities Exchange	3,011,835	-
Settlement due from Dubai Financial Market	7,441,124	9,009,234
Advance against investment	6,293,498	6,293,498
Prepayments	596,488	780,952
Refundable deposits	30,750	20,000
Other receivables	610,205	640,532
	<u>52,647,475</u>	<u>52,974,331</u>

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed interim financial information)

4 Trade receivables, deposits, prepayments and other receivables (continued)

Movement in allowance for impairment of receivables

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
At 1 January	11,500,000	164,214
(Reversal) / charge for the period / year	(3,279,827)	11,335,786
Written off	(192,811)	-
Closing balance	<u>8,027,362</u>	<u>11,500,000</u>

5 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 three-month period ended 30 June 2009 are as follows:

	30 June 2009 AED Reviewed	31 March 2008 AED Reviewed
Transactions with shareholders		
Commission income	<u>677,309</u>	<u>131,228</u>
Compensation of key management personnel		
Short term benefits	<u>375,860</u>	<u>180,000</u>
Long term benefits	<u>87,520</u>	<u>-</u>

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

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
Balances with shareholders		
Amount due from related parties	<u>8,225,385</u>	<u>16,059,519</u>
Amount due to related parties	<u>299,639</u>	<u>144,954</u>

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed interim financial information)

6 Cash and bank balances

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
At banks		
- Client deposits (see note 6.1)	3,186,230	4,279,639
- Company's bank balances	22,753,029	15,796,159
Cash in hand	4,000	9,931
	<u>25,943,259</u>	<u>20,085,729</u>

- 6.1 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.

7 Employees' end of service benefits

Movement of end of service benefits are as follows:

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
Provision at the beginning of the period / year	189,189	172,721
Provided during the period / year	58,490	132,435
Paid during the period / year	(65,672)	(115,967)
	<u>182,007</u>	<u>189,189</u>

8 Trade and other payables

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
Advance from customers	2,886,591	4,134,685
Settlement due to Dubai Financial Market	-	-
Settlement due to Abu Dhabi Securities Exchange	-	86,500
Other liabilities	1,537,312	1,379,975
	<u>4,423,903</u>	<u>5,601,160</u>

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed interim financial information)

9 Staff salaries and benefits

	30 June 2009 AED Reviewed	30 June 2009 AED Reviewed
Employees salaries and benefits	1,678,913	2,392,173
Bonus	52,500	280,000
End of service benefits	58,490	55,565
	<u>1,789,903</u>	<u>2,727,738</u>

10 Administrative and general expenses

	30 June 2009 AED Reviewed	30 June 2008 AED Reviewed
Market expenses	208,644	144,341
Rent expenses	196,545	540,002
Professional fees	366,995	579,217
Repair and maintenance	124,958	54,782
Printing and stationery	33,201	30,259
Depreciation expenses	546,554	228,941
Utilities	25,216	20,401
Communication expenses	285,321	252,453
Bank charges	375,927	110,436
Other expenses	428,129	1,030,694
	<u>2,591,490</u>	<u>2,991,526</u>

11 Contingent liabilities and capital commitments

	30 June 2009 AED Reviewed	31 December 2008 AED Audited
Letters of guarantee	50,000,000	50,000,000

The Company has arranged bank guarantees amounting to AED 35,000,000 and AED 15,000,000 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 2008: AED 35,000,000 for DFM and AED 15,000,000 for ADX). The guarantees are secured against the margin deposit of AED 15,000,000 placed with Islamic Bank.

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed interim financial information)

12 Comparative figures

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