

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 MARCH 31, 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 March 31, 2008**

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

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Interim Condensed Balance Sheet
As of March 31, 2008
(In Arab Emirates Dirhams)

	<u>Note</u>	<u>March 31,</u> <u>2008</u> (Un-audited)	<u>December 31,</u> <u>2007</u> (audited)
ASSETS			
Current assets			
Cash and cash equivalents		27,958,238	82,223,384
Held-for-trading investments	3	1,001,017	5,936,135
Trade and other receivables	4	24,394,083	136,273,301
Total current assets		120,453,338	141,333,020
Non-current assets			
Property, plant and equipment	5	9,398,618	9,408,612
Investment properties		14,625,072	14,675,072
Properties under development		9,406,618	8,455,618
Total non-current assets		32,630,308	32,540,302
Total Assets		152,883,646	173,873,322
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		16,489,318	37,273,075
Non-current liabilities			
Employees' end of service indemnity		115,914	172,721
Total Liabilities		16,605,232	37,395,796
Shareholders' Equity			
Share capital	6	139,841,748	129,841,748
Statutory reserve		1,565,935	1,565,935
General reserve		1,565,935	1,565,935
Employees performance share		(2,000,000)	(2,000,000)
Retained earnings		5,304,926	5,303,908
Total Shareholders' Equity		136,278,614	136,477,526
Total Liabilities and Shareholders' Equity		152,883,646	173,873,322

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

The interim condensed financial information on pages 2 to 12 were approved by the Board of Directors and authorized for issue on April 27, 2008.


Chairman

NOTES

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 March 31, 2008 and the related interim condensed statements of income, changes in shareholders' equity and cash flows for the period from January 1, 2008 to March 31, 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 March 31, 2007 was reviewed by another auditor who issued a qualified review report on this financial information on April 29, 2007 due to a scope limitation. The condensed balance sheet 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 a scope limitation.

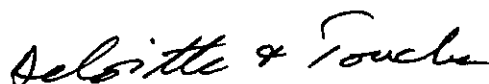
Scope of review

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
April 27, 2008**



Interim Condensed Income Statement
For the period from January 1, 2008 to March 31, 2008
(In Arab Emirates Dirhams)

		Three-month period ended	
		March 31,	
		2008	2007
		(un-audited)	(un-audited)
Commission income		3,849,769	51,167
General and administrative expenses	7	(3,974,010)	(2,163,842)
Gross loss for the period		(124,241)	(2,112,675)
Other income		256,209	323,685
Changes in fair value of held for trading investments		(330,880)	(1,784,785)
Net loss for the period		(198,912)	(3,573,775)
		=====	=====

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

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

Interim Condensed Statement of Changes in Shareholders' Equity
For the period from January 1, 2008 to March 31, 2008

(In Arab Emirates Dirhams)

	Share capital	Statutory reserve	General reserve	Retained Earnings/ (Accumulated Losses)	Employees performance share program	Total
Balance at December 31, 2006 (audited)	129,841,748	-	-	(7,023,569)	(2,000,000)	120,818,179
Net loss for the period from January 1, 2007 to March 31, 2007 (un-audited)	-	-	-	(3,573,775)	-	(3,573,775)
Balance at March 31, 2007 (un-audited)	129,841,748	-	-	(10,597,344)	(2,000,000)	117,244,404
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 March 31, 2008 (un-audited)	-	-	-	(198,912)	-	(198,912)
Balance at March 31, 2008 (un-audited)	129,841,748	1,565,935	1,565,935	5,304,996	(2,000,000)	136,278,614

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 March 31, 2008
(In Arab Emirates Dirhams)

	Period from January 1, 2008 to March 31, 2008 (un-audited)	Period from January 1, 2007 to March 31, 2007 (un-audited)
Cash flows from operating activities		
Net loss for the period	(198,912)	(3,573,775)
Adjustments for:		
Depreciation	112,214	208,684
Provision for employees' end of service indemnity	3,731	12,398
Changes in fair value of trading securities	330,880	1,784,785
Profit from Murabaha	<u>(92,209)</u>	<u>(154,422)</u>
Operating cash flows before movements in working capital	155,704	(1,722,330)
Increase in trade and other receivables	(37,620,582)	(2,981,823)
(Decrease)/increase in trade and other payables	<u>(20,733,757)</u>	<u>9,416,897</u>
Cash (used in)/generated from operations	(58,198,635)	4,712,744
Employees' end of service indemnity paid	<u>(60,538)</u>	-
Net cash (used in)/from operating activities	<u>(58,259,173)</u>	<u>4,712,744</u>
Cash flow from investing activities		
Purchase of property and equipment	(2,420)	(22,876)
Purchase of investments property	-	(14,009,989)
Purchase of trading securities	-	(71,037)
Proceeds from sale of trading securities	3,904,238	-
Profit from Murabaha	<u>92,209</u>	<u>154,422</u>
Net cash from/(used in) investing activities	<u>3,994,027</u>	<u>(13,949,480)</u>
Net decrease in cash and cash equivalents	(54,265,146)	(9,236,736)
Cash and cash equivalents at beginning of the period	<u>82,223,384</u>	<u>17,829,456</u>
Cash and cash equivalents at end of the period	<u>27,958,238</u>	<u>8,592,720</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 March 31, 2008

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 three-month period ended March 31, 2008 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2008.

Notes to the Interim Condensed Financial Information - continued
For the period from January 1, 2008 to March 31, 2008

2. Significant accounting policies (continued)

(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.

(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

	March 31, 2008	December 31,
	AED	2007
	(un-audited)	AED
		(audited)
Fair value, at the beginning of the period/ year	5,836,135	20,335,020
Purchases during the period/ year	-	1,227,782
Disposals during the period/ year	(3,904,238)	(17,303,042)
(Decrease)/increase in fair value during the period/year	(330,880)	<u>1,576,375</u>
Fair value, at the end of the period/ year	<u>1,601,017</u>	<u>5,836,135</u>

Notes to the Interim Condensed Financial Information - continued
For the period from January 1, 2008 to March 31, 2008

4. Trade and other receivables

	March 31, 2008	December 31,
	AED	2007
	(un-audited)	AED
		(audited)
Receivable from customers	70,179,851	15,436,732
Other financial assets-margin deposits	15,000,000	15,000,000
Due from financial markets	-	12,800,758
Due from related parties	2,963,177	7,224,870
Prepayments	469,278	682,802
Refundable deposits	20,000	20,000
Other receivables	<u>2,261,777</u>	<u>2,108,339</u>
	<u>90,894,083</u>	<u>53,273,501</u>

Notes to the Interim Condensed Financial Information - continued
For the period from January 1, 2008 to March 31, 2008

5. Property and equipment

	Computers AED	Furniture and fixtures AED	Office building AED	Capital work in progress AED	Total AED
Cost					
At December 31, 2006 (audited)	2,083,075	481,572	-	-	2,564,647
Additions during the year	111,414	4,272	-	8,240,000	8,355,686
At December 31, 2007 (audited)	2,194,489	485,844	-	8,240,000	10,920,333
Additions during the period	2,420	-	-	-	2,420
Transfers from capital work in progress	-	-	8,240,000	(8,240,000)	-
At March 31, 2008 (un-audited)	2,196,909	485,844	8,240,000	-	10,922,753
Accumulated depreciation					
At December 31, 2006 (audited)	466,502	60,083	-	-	526,585
Charge for the year	725,155	159,981	-	-	885,136
At December 31, 2007 (audited)	1,191,657	220,064	-	-	1,411,721
Charge for the period	71,989	40,225	-	-	112,214
At March 31, 2008 (un-audited)	1,263,646	260,289	-	-	1,523,935
Carrying amount					
At March 31, 2008 (un-audited)	933,263	225,555	8,240,000	-	9,398,818
At December 31, 2007 (audited)	1,002,832	265,780	-	8,240,000	9,508,612

Office building pertains to a villa in Abu Dhabi registered in the name of the chairman in trust and for the benefit of the Company

Notes to the Interim Condensed Financial Information - continued
For the period from January 1, 2008 to March 31, 2008

6. Share capital

Share capital consists of 129,841,748 issued and fully paid shares of AED 1 each.

7. General and administrative expenses

	Period from January 1, 2008 to March 31, 2008	Period from January 1, 2007 to March 31, 2007
	AED	AED
	(un-audited)	(un-audited)
Employees' salaries and benefits	1,284,489	696,225
Market expenses	75,539	50,000
Rent expenses	270,000	243,000
Business promotion expenses	888,135	17,490
Bonus	280,000	7,500
Professional fees	207,684	11,408
Advertisement expenses	6,000	61,893
Printing and stationery	13,209	22,956
End of service expenses	3,731	12,398
Depreciation expenses	112,214	208,684
Utilities	12,258	4,167
Telephone and post expenses	136,226	115,825
Bank charges	48,330	53,067
Other expenses	636,195	659,229
	3,974,010	2,163,842
	=====	=====

Notes to the Interim Condensed Financial Information - continued
For the period from January 1, 2008 to March 31, 2008

8. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders and complying with statutory requirements to maintain minimum capital. The Company's overall strategy remains unchanged from previous year.

The Company is subject to external capital requirements imposed by Emirates Securities & Commodities Authority (ESCA), United Arab Emirates. ESCA requires the Company to maintain a minimum capital to carry out brokerage business in U.A.E. At December 31, 2007, Federal Law No. 4 of 2000 concerning the Emirates Securities & Commodities Authority and Market (as amended in 2007) requires that the paid up capital of the Company should not be less than AED 30 million.

9. Comparative amounts

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