

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

Condensed unconsolidated interim financial information
31 March 2011

ALSafwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim financial information (Reviewed)
For the three-month period ended 31 March 2011

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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 condensed unconsolidated interim statement of financial position of Al Safwa Islamic Financial Services (PJSC) ("the Company") as at 31 March 2011 and the related condensed unconsolidated interim statement of comprehensive income, condensed unconsolidated interim statement of changes in equity and condensed unconsolidated interim statement of cash flows for the three-month period then ended ("the condensed unconsolidated interim financial information"). Management is responsible for the preparation and fair 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 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 unconsolidated interim financial information as at 31 March 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


KPMG

Vijendranath Malhotra
Registration No: 48 B

26 APR 2011


Al Safwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim statement of financial position as at

		31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
Assets	Note		
Non-current assets			
Property and equipment		5,477,719	5,620,161
Investment in subsidiary	3	998,298	998,298
Total non-current assets		6,476,017	6,618,459
Current assets			
Available for sale investment	4	6,293,498	6,293,498
Trade receivables, deposits, prepayments and other receivables	5	51,602,233	58,154,382
Amount due from related parties	6	42,361,377	32,892,701
Cash and bank balances	7	48,683,337	22,057,388
Total current assets		148,940,445	119,397,969
Total Assets		155,416,462	126,016,428
Equity			
Share capital		129,841,748	129,841,748
Statutory reserve		1,934,871	1,934,871
General reserve		1,934,871	1,934,871
Employees' performance share program		(2,000,000)	(2,000,000)
Accumulated losses		(21,628,214)	(21,605,596)
Total equity		110,083,276	110,105,894
Non-current liabilities			
Employees' end of service benefits	8	399,688	371,593
Current liabilities			
Trade and other payables	9	43,093,953	12,883,711
Amount due to related parties	6	390,000	1,205,685
Zakat payable		1,449,545	1,449,545
Total current liabilities		44,933,498	15,538,941
Total liabilities		45,333,186	15,910,534
Total equity and liabilities		155,416,462	126,016,428

The notes on pages 6 to 11 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 26th April 2011 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 three-month period ended 31 March 2011

		31 March 2011 AED	31 March 2010 AED
	<i>Note</i>	(Reviewed)	(Reviewed)
Commission income		2,150,919	1,016,624
Other income		37,651	39,777
Total income		2,188,570	1,056,401
Staff salaries and benefits	10	(980,213)	(937,213)
Advertisement and business promotion expenses		(52,942)	(14,882)
Administrative and general expenses	11	(1,045,075)	(925,108)
(Provision)/reversal of provision against receivables		(132,958)	1,120,738
Net (loss)/profit for the period		(22,618)	299,936
Other comprehensive income for the period			
Total comprehensive loss for the period		(22,618)	299,936

The notes on pages 6 to 11 are an integral part of the condensed unconsolidated interim financial information.

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Al Safwa Islamic Financial Services (PJSC)

Condensed unconsolidated interim statement of changes in equity
For the three-month period ended 31 March 2011

	Share capital AED	Statutory reserve AED	General reserve AED	Employees' performance share program AED	(Accumulated losses) AED	Total AED
At 1 January 2010	129,841,748	1,934,871	1,934,871	(2,000,000)	(8,790,699)	122,920,791
Profit for the period	-	-	-	-	299,936	299,936
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	299,936	299,936
At 31 March 2010 (Reviewed)	129,841,748	1,934,871	1,934,871	(2,000,000)	(8,490,763)	123,220,727
At 1 January 2011	129,841,748	1,934,871	1,934,871	(2,000,000)	(21,605,596)	110,105,894
Loss for the period	-	-	-	-	(22,618)	(22,618)
Other comprehensive expense for the period	-	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	-	(22,618)	(22,618)
At 31 March 2011 (Reviewed)	129,841,748	1,934,871	1,934,871	(2,000,000)	(21,628,214)	110,083,276

The notes on pages 6 to 11 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 three-month period ended 31 March 2011

	31 March 2011 AED (Reviewed)	31 March 2010 AED (Reviewed)
Cash flows from operating activities		
Net (loss) / profit for the period	(22,618)	299,936
<i>Adjustments for:</i>		
Depreciation	147,529	150,118
Provision for employees' end of service benefits	28,095	17,829
Provision / (reversal) of provision against receivables	132,958	(1,120,738)
Profit from Murabaha	(37,651)	(39,777)
<i>Operating loss before changes in working capital</i>	<u>248,313</u>	<u>(692,632)</u>
<i>Working capital changes:</i>		
Change in trade receivables, deposits, prepayments and other receivables	6,419,191	3,357,448
Change in amount due from related parties	(9,468,676)	(3,773,883)
Change in trade and other payables	2,086,880	4,303,125
Change in amount due to related parties	(815,685)	(652,245)
<i>Cash flows from operating activities</i>	<u>(1,529,977)</u>	<u>2,541,813</u>
Employees' end of service benefits paid		
<i>Net cash from operating activities</i>	<u>(1,529,977)</u>	<u>2,541,813</u>
Cash flows from investing activities		
Acquisition of property and equipment	(5,087)	(23,501)
Profit received from Murabaha	37,651	39,777
<i>Net cash from investing activities</i>	<u>32,564</u>	<u>16,276</u>
Cash flows from financing activities		
Net change in cash and cash equivalents	<u>(1,497,413)</u>	<u>2,558,089</u>
Cash and cash equivalents at 1 January	8,820,051	17,589,731
Cash and cash equivalents at 31 March	<u>7,322,638</u>	<u>20,147,820</u>
Cash and cash equivalents at the end of period comprises:		
Cash at bank and in hand (refer note 7)	48,683,337	34,251,014
Client deposits	(41,360,699)	(14,103,194)
	<u>7,322,638</u>	<u>20,147,820</u>

The notes on pages 6 to 11 are an integral part of the condensed unconsolidated interim financial information.

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

Al Safwā 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 Group 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 has established a subsidiary by subscribing 10,000,000 shares of AED 1 each representing 100% equity in Al Safwa Capital LLC incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no.8 of 1984 (as amended).

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 three-month period ended 31 March 2011 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 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 2010.

b) Basis of preparation

The condensed unconsolidated interim financial information has been prepared on the historical cost basis.

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 last annual financial statements as at 31 December 2010, except for IAS 24 'Related Party Disclosures' (Revised) which became applicable for annual periods beginning on or after 1 January 2011.

The Company has adopted this standard in the preparation of this condensed unconsolidated interim financial information. IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The revised requirements under IAS 24 affect the presentation and disclosure of this condensed unconsolidated interim financial information and do not have any effect on the reported amounts in the condensed unconsolidated interim statement of financial position and condensed unconsolidated interim statement of comprehensive income.

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

2 Significant accounting policies (continued)

b) Basis of preparation (continued)

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 unconsolidated 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 2010.

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

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 2010.

3 Investment in subsidiary

	31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
At cost:		
Unquoted shares	998,298	10,000,000
Less: Impairment during the period/year (note 3.2)	-	(9,001,702)
	<u>998,298</u>	<u>998,298</u>

3.1 Detail of the subsidiary is as follows:

<i>Name of subsidiary</i>	<i>Country of Incorporation</i>	<i>Principal Activities</i>	<i>Effective ownership interest</i>	
			31 March 2011 (Reviewed)	31 December 2010 (Audited)
Al Safwa Capital LLC	UAE	Investment Company	100%	100%

3.2 Impairment in subsidiary is mainly due to downward movement in fair value of investment properties held by the subsidiary. At 31 December 2010, the subsidiary did not have any other significant investment.

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 Sultanate of Oman. These shares were allocated to the Company during the second quarter of 2010 and accordingly the amount has been transferred from other receivables. The cost of these shares was AED 6,293,498 (31 December 2010: AED 6,293,498) which represents an equity stake of 2%. 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

	31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
Receivable from customers (note 5.1)	31,124,235	26,439,269
Less: Allowance for impairment losses	(2,423,260)	(2,290,302)
	<u>28,700,975</u>	<u>24,148,967</u>
Other financial assets-margin deposits	15,000,000	15,000,000
Settlement due from Abu Dhabi Securities Exchange	5,716,824	14,742,499
Settlement due from Dubai Financial Market	-	2,289,060
Prepayments	1,174,331	1,045,576
Refundable deposits	50,750	50,750
Other receivables	959,353	877,530
	<u>51,602,233</u>	<u>58,154,382</u>

Movement in allowance for impairment of receivables:

	31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
At 1 January	2,290,302	5,262,758
Provision / (reversal) charge for the period/ year	132,958	(2,972,456)
Closing balance	<u>2,423,260</u>	<u>2,290,302</u>

- 5.1 As at 31 March 2011, market value of securities held as collateral amounted to AED 53,965,735 against above receivables.

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

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 three-month period ended 31 March 2011 are as follows:

	31 March 2011 AED (Reviewed)	31 March 2010 AED (Reviewed)
Transactions with shareholders		
Commission income	44,406	402,098
Compensation of key management personnel		
Short term benefits	150,000	150,000
Long term benefits	18,750	18,750

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

	31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
Balances with related parties		
Amount due from shareholders	18,039,640	8,257,469
Amount due from subsidiary	24,321,737	24,635,232
	42,361,377	32,892,701
Amount due to shareholders	390,000	1,205,685

Due from shareholders includes past due balance of AED 7 million which are not provided for as these are considered to be recoverable.

7 Cash and bank balances

	31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
Cash at bank	7,318,638	8,796,603
Cash in hand	4,000	23,448
Client deposits (Note. 7.1)	41,360,699	13,237,337
	48,683,337	22,057,388

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

7 Cash and bank balances (continued)

7.1 In accordance with the regulations issued by the 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:

	31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
Provision at the beginning of the period / year	371,593	247,226
Provided during the period / year	28,095	124,367
Provisions as at the end of the period / year	399,688	371,593

9 Trade and other payables

	31 March 2011 AED (Reviewed)	31 December 2010 AED (Audited)
Advance from customers	41,360,699	12,421,653
Settlement due to Dubai Financial Market	1,112,022	-
Other liabilities	621,232	462,058
	43,093,953	12,883,711

10 Staff salaries and benefits

	31 March 2011 AED (Reviewed)	31 March 2010 AED (Reviewed)
Employees salaries and benefits	952,118	919,384
End of service benefits	28,095	17,829
	980,213	937,213

Al Safwa Islamic Financial Services (PJSC)

Notes

(forming part of the condensed unconsolidated interim financial information)

11 Administrative and general expenses

	31 March 2011 AED (Reviewed)	31 March 2010 AED (Reviewed)
Market expenses		
Rent expenses	58,778	21,600
Professional fees	-	33,750
Repair and maintenance	171,524	94,202
Printing and stationery	15,617	-
Depreciation expenses	12,100	1,650
Utilities	147,529	150,118
Communication expenses	15,497	36,993
Bank charges	253,051	232,305
Other expenses	187,700	187,953
	183,279	166,537
	<u>1,045,075</u>	<u>925,108</u>

12 Contingent liabilities and capital commitments

	31 March 2011 AED (Reviewed)	31 December 2010 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 2010: 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 an Islamic Bank.

13 Comparative figures

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