



Al Safwa Islamic Financial  
Services (PJSC)

Condensed unconsolidated interim financial  
*31 March 2012*

# Al Safwa Islamic Financial Services (PJSC)

## Condensed unconsolidated interim financial information (Reviewed) *For the three-month period ended 31 March 2012*

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## **Independent auditors' report on review of condensed unconsolidated interim financial information**

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

### ***Introduction***

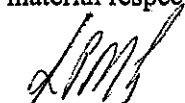
We have reviewed the accompanying condensed unconsolidated interim statement of financial position of Al Safwa Islamic Financial Services (PJSC) ("the Company") as at 31 March 2012, the condensed unconsolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes to the condensed unconsolidated interim information ("the condensed unconsolidated interim financial information"). Management is responsible for the preparation and 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 2012 is not prepared, in all material respects, in accordance with IAS 34, '*Interim Financial Reporting*'.

  
KPMG

Vijendranath Malhotra  
Registration No : 48 B

**29 APR 2012**

# Al Safwa Islamic Financial Services (PJSC)

## Condensed unconsolidated interim statement of financial position as at

		31 March 2012 AED (Reviewed)	31 December 2011 AED (Audited)
	Note		
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		5,401,116	5,191,452
Investment in subsidiary	3	-	-
<b>Total non-current assets</b>		<b>5,401,116</b>	<b>5,191,452</b>
<b>Current assets</b>			
Available for sale investment	4	3,923,865	3,923,865
Trade receivables, deposits, prepayments and other receivables	5	47,507,601	41,662,861
Amount due from related parties	6	21,467,103	20,044,203
Cash and bank balances	7	41,629,770	37,623,225
<b>Total current assets</b>		<b>114,528,339</b>	<b>103,254,154</b>
<b>Total Assets</b>		<b>119,929,455</b>	<b>108,445,606</b>
<b>Equity</b>			
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		(44,103,214)	(42,669,288)
<b>Total equity</b>		<b>87,608,276</b>	<b>89,042,202</b>
<b>Non-current liabilities</b>			
Employees' end of service benefits	8	470,935	439,031
<b>Current liabilities</b>			
Trade and other payables	9	30,358,024	18,663,013
Amount due to related parties	6	290,000	301,360
Zakat payable	12	1,202,220	-
<b>Total current liabilities</b>		<b>31,850,244</b>	<b>18,964,373</b>
<b>Total liabilities</b>		<b>32,321,179</b>	<b>19,403,404</b>
<b>Total equity and liabilities</b>		<b>119,929,455</b>	<b>108,445,606</b>

The notes on pages 6 to 12 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 29<sup>th</sup> April 2012 and signed on its behalf by

  
Chairman

# Al Safwa Islamic Financial Services (PJSC)

## Condensed unconsolidated interim statement of comprehensive income

For the three-month period ended 31 March 2012

		31 March 2012 AED	31 March 2011 AED
	Note	(Reviewed)	(Reviewed)
Commission income		1,698,498	2,150,919
Other income		1,368	37,651
<b>Total income</b>		<b>1,699,866</b>	<b>2,188,570</b>
Staff salaries and benefits	10	(935,067)	(980,213)
Advertisement and business promotion expenses		(22,696)	(52,942)
Administrative and general expenses	11	(973,809)	(1,045,075)
Provision against receivables		-	(132,958)
<b>Net loss for the period</b>		<b>(231,706)</b>	<b>(22,618)</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive loss for the period</b>		<b>(231,706)</b>	<b>(22,618)</b>

The notes on pages 6 to 12 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 changes in equity

For the three-month period ended 31 March 2012

	Share capital AED	Statutory reserve AED	General reserve AED	Employees' performance share program AED	Accumulated losses AED	Total AED
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 income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(22,618)	(22,618)
At 31 March 2011 (Reviewed)	<u>129,841,748</u>	<u>1,934,871</u>	<u>1,934,871</u>	<u>(2,000,000)</u>	<u>(21,628,214)</u>	<u>110,008,276</u>
At 1 January 2012	129,841,748	1,934,871	1,934,871	(2,000,000)	(42,669,288)	89,042,202
Loss for the period	-	-	-	-	(231,706)	(231,706)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(231,706)	(231,706)
Transactions with owners, recorded directly in equity						
Zakat (refer note 12)	-	-	-	-	(1,202,220)	(1,202,220)
Total contributions by and distributions to owners	-	-	-	-	(1,202,220)	(1,202,220)
At 31 March 2012 (Reviewed)	<u>129,841,748</u>	<u>1,934,871</u>	<u>1,934,871</u>	<u>(2,000,000)</u>	<u>(44,103,214)</u>	<u>87,608,276</u>

The notes on pages 6 to 12 are an integral part of the condensed unconsolidated interim financial information.

# Al Safwa Islamic Financial Services (PJSC)

## Condensed unconsolidated interim statement of cash flows

For the three-month period ended 31 March 2012

	31 March 2012 AED (Reviewed)	31 March 2011 AED (Reviewed)
Cash flows from operating activities		
Net loss for the period	(231,706)	(22,618)
Adjustments for:		
Depreciation	163,525	147,529
Provision for employees' end of service benefits	31,904	28,095
Provision against receivables	-	132,958
Profit from Murabaha	(1,368)	(37,651)
	(37,645)	248,313
Working capital changes:		
Change in trade receivables, deposits, prepayments and other receivables	(5,844,740)	6,419,191
Change in amount due from related parties	(1,422,900)	(9,468,676)
Change in trade and other payables	3,466,883	2,086,880
Change in amount due to related parties	(11,360)	(815,685)
Net cash flows used in operating activities	(3,849,762)	(1,529,977)
Cash flows from investing activities		
Acquisition of property and equipment	(373,189)	(5,087)
Profit received from Murabaha	1,368	37,651
Net cash flows (used in) / from investing activities	(371,821)	32,564
Net cash flows from financing activities	-	-
Net change in cash and cash equivalents	(4,221,583)	(1,497,413)
Cash and cash equivalents at 1 January	19,548,775	8,820,051
Cash and cash equivalents at 31 March	15,327,192	7,322,638
Cash and cash equivalents at the end of period comprises:		
Cash at bank and in hand (refer note 7)	41,629,770	48,683,337
Client deposits	(26,302,578)	(41,360,699)
	15,327,192	7,322,638

The notes on pages 6 to 12 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)

## 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 Company 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 established a subsidiary by subscribing to 10,000,000 shares of AED 1 each representing 100% equity in Al Safwa Capital LLC, a company incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no.8 of 1984 (as amended). The Principal activity of the subsidiary is to hold investment properties.

### 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 2012 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 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 2011.

#### b) Basis of preparation

The condensed unconsolidated interim financial information has been prepared on the historical cost basis, except for available for sale investment.

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 audited annual financial statements as at 31 December 2011.



# 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 condensed unconsolidated 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 annual financial statements of the Company as at and for the year ended 31 December 2011.

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 audited annual financial statements as at and for the year ended 31 December 2011.

### 3 Investment in subsidiary

	31 March 2012 AED (Reviewed)	31 December 2011 AED (Audited)
At cost:		
Unquoted shares (at 1 January)	998,298	998,298
Less: Impairment during the period/year (note 3.2)	(998,298)	(998,298)
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </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>	
			<b>31 March 2012 (Reviewed)</b>	<b>31 December 2011 (Audited)</b>
Al Safwa Capital LLC	UAE	Investment Company	100%	100%

#### 3.2 At 31 December 2011, investment in subsidiary was fully impaired due to downward movement in fair value of investment properties held by the subsidiary and disposal of investment properties at a realised loss.

# 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. The cost of these shares is AED 3,923,865 (31 December 2011: AED 3,923,865) which represents an equity stake of 2.5%. 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 2012 AED (Reviewed)	31 December 2011 AED (Audited)
Receivable from customers (note 5.1)	34,929,814	21,100,635
Less: Allowance for impairment losses	(5,848,437)	(5,848,437)
	<hr/>	<hr/>
Other financial assets-margin deposits	29,081,377	15,252,198
Settlement due from Dubai Financial Market	16,667,500	16,650,000
Settlement due from Abu Dhabi Securities Exchange	-	5,623,059
Prepayments	51,616	2,659,558
Refundable deposits	755,379	345,919
Other receivables	40,750	40,750
	910,979	1,091,377
	<hr/>	<hr/>
	47,507,601	41,662,861
	<hr/>	<hr/>

Movement in allowance for impairment of receivables:

	31 March 2012 AED (Reviewed)	31 December 2011 AED (Audited)
At 1 January	5,848,437	2,290,302
Provision for the period/ year	-	3,558,135
	<hr/>	<hr/>
Closing balance	5,848,437	5,848,437
	<hr/>	<hr/>

5.1 As at 31 March 2012, market value of securities held as collateral amounted to AED 10.2 million 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 2012 are as follows:

	31 March 2012 AED (Reviewed)	31 March 2011 AED (Reviewed)
Transactions with shareholders		
Commission income	7,176	44,406
Compensation of key management personnel		
Short term benefits	135,000	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 2012 AED (Reviewed)	31 December 2011 AED (Audited)
Balances with related parties		
Amount due from shareholders (note 6.1)	15,998,245	15,998,245
Amount due from subsidiary (note 6.2)	5,468,858	4,045,958
	21,467,103	20,044,203
Amount due to shareholders	290,000	301,360

6.1 Due from shareholders includes past due balance of greater than 365 days amounting to AED 15.9 million against which no provision has been made as these are considered to be recoverable.

6.2 Impairment on amount due from subsidiary

During 2011, an impairment loss of AED 13.8 million was recorded on amount due from subsidiary, due to losses in the subsidiary subsequent to the disposal of the investment properties and due to downward movement in fair value of investment properties held by the subsidiary.

# Al Safwa Islamic Financial Services (PJSC)

## Notes

*(forming part of the condensed unconsolidated interim financial information)*

### 7 Cash and bank balances

	31 March 2012 AED (Reviewed)	31 December 2011 AED (Audited)
Cash at bank	15,320,704	19,546,062
Cash in hand	6,488	2,713
Client deposits (note 7.1)	26,302,578	18,074,450
	<u>41,629,770</u>	<u>37,623,225</u>

- 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 2012 AED (Reviewed)	31 December 2011 AED (Audited)
Provision at the beginning of the period / year	439,031	371,593
Provided during the period / year	31,904	127,134
Paid during the period / year	-	(59,696)
Provisions as at the end of the period / year	<u>470,935</u>	<u>439,031</u>

### 9 Trade and other payables

	31 March 2012 AED (Reviewed)	31 December 2011 AED (Audited)
Advance from customers	26,302,578	18,063,134
Settlement due to Dubai Financial market	3,341,495	-
Other liabilities	713,951	599,879
	<u>30,358,024</u>	<u>18,663,013</u>

# Al Safwa Islamic Financial Services (PJSC)

## Notes

(forming part of the condensed unconsolidated interim financial information)

### 10 Staff salaries and benefits

	31 March 2012 AED (Reviewed)	31 March 2011 AED (Reviewed)
Employees salaries and benefits	903,163	952,118
End of service benefits	31,904	28,095
	<u>935,067</u>	<u>980,213</u>

### 11 Administrative and general expenses

	31 March 2012 AED (Reviewed)	31 March 2011 AED (Reviewed)
Market expenses	73,404	58,778
Professional fees	30,000	171,524
Repair and maintenance	20,944	15,617
Printing and stationery	10,435	12,100
Depreciation expenses	163,525	147,529
Utilities	13,846	15,497
Communication expenses	215,582	253,051
Bank charges	96,853	187,700
Other expenses	349,220	183,279
	<u>973,809</u>	<u>1,045,075</u>

### 12 Zakat Payable

Zakat payable relates to the year ended 31 December 2011 and is calculated and approved by the Shariah' committee as AED 1.2 million.

### 13 Contingent liabilities and capital commitments

	31 March 2012 AED (Reviewed)	31 December 2011 AED (Audited)
Letters of guarantee	<u>25,000,000</u>	<u>25,000,000</u>

The Company has arranged bank guarantees amounting to AED 15,000,000 and AED 10,000,000 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 2011: AED 15,000,000 for DFM and AED 10,000,000 for ADX). The guarantees are secured against the margin deposit of AED 16,667,500 (31 December 2011: AED 16,650,000) placed with an Islamic bank.

# Al Safwa Islamic Financial Services (PJSC)

## Notes

*(forming part of the condensed unconsolidated interim financial information)*

### **14 Comparative figures**

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