

**Al Safwa Mubasher
Financial Services PrJSC**

**Condensed consolidated interim
financial information**

For the six-month period ended 30 June 2017

Al Safwa Mubasher Financial Services PrJSC
Condensed consolidated interim financial information (Un-audited)
For the six-month period ended 30 June 2017

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Shareholders
Al Safwa Mubasher Financial Services PrJSC

Introduction

We have reviewed the accompanying 30 June 2017 condensed consolidated interim financial information of Al Safwa Mubasher Financial Services PrJSC (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2017;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month period ended 30 June 2017;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2017;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated 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 30 June 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.


KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 13 AUG 2017

Al Safwa Mubasher Financial Services PrJSC
Condensed consolidated interim statement of financial position
As at 30 June 2017

| | | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--|----|--|---|
| Assets | | | |
| Non-current assets | | | |
| Goodwill and other intangible assets | 5 | 51,581,241 | 52,631,241 |
| Property and equipment | | 12,254,365 | 11,421,395 |
| Investment properties | 6 | 13,321,083 | 13,127,486 |
| Investment securities – available for sale | 7 | 8,694,786 | 8,962,494 |
| Total non-current assets | | 85,851,475 | 86,142,616 |
| Current assets | | | |
| Short term deposit under lien | 14 | 17,454,617 | 42,123,742 |
| Prepayments and other receivables | 8 | 71,653,152 | 29,673,650 |
| Amount due from related parties | 9 | 50,133,885 | 55,735,916 |
| Cash and bank balances | 10 | 153,807,859 | 149,022,131 |
| Total current assets | | 293,049,513 | 276,555,439 |
| Total assets | | 378,900,988 | 362,698,055 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 11 | 563,841,748 | 563,841,748 |
| Treasury shares | 11 | (2,000,000) | (2,000,000) |
| Legal reserve | 11 | 3,631,718 | 3,631,718 |
| Fair value reserve | | 152,978 | 420,686 |
| Retained earnings | | 19,123,711 | 23,909,899 |
| Merger reserve | 11 | (390,410,680) | (390,410,680) |
| Total equity | | 194,339,475 | 199,393,371 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Bank borrowings | 12 | 6,772,786 | 7,150,971 |
| Employees' end of service benefits | | 3,343,363 | 2,844,243 |
| Total non-current liabilities | | 10,116,149 | 9,995,214 |
| Current liabilities | | | |
| Trade and other payables | 13 | 126,704,100 | 137,777,835 |
| Bank borrowings | 12 | 769,417 | 782,451 |
| Amount due to related parties | 9 | 25,639,156 | - |
| Bank overdraft | 10 | 21,332,691 | 14,749,184 |
| Total current liabilities | | 174,445,364 | 153,309,470 |
| Total liabilities | | 184,561,513 | 163,304,684 |
| Total equity and liabilities | | 378,900,988 | 362,698,055 |

The condensed consolidated interim financial information were approved and authorised for issue by the Board of Directors on 13 AUG 2017 and signed on its behalf by:



Managing Director

The notes on pages 7 to 18 are an integral part of the condensed consolidated interim financial information. The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 to 2.

Al Safwa Mubasher Financial Services PrJSC
Condensed consolidated interim statement of profit or loss and other comprehensive income
For the six-month period ended 30 June 2017

| | <i>Note</i> | Six-month period ended 30 June 2017 AED (Un-audited) | Six-month period ended 30 June 2016 AED (Un-audited) | Three-month period ended 30 June 2017 AED (Un-audited) | Three-month period ended 30 June 2016 AED (Un-audited) |
|--|-------------|---|---|---|---|
| Income | | | | | |
| Commission income | | 11,216,408 | 10,247,899 | 3,691,727 | 3,744,615 |
| Income from margin trading | | 1,874,338 | - | 1,087,128 | - |
| Finance income from fixed deposit | | 131,128 | 186,201 | 67,281 | 113,695 |
| Other income | | 134,888 | 243,581 | 124,781 | 106,727 |
| Total income | | 13,356,762 | 10,677,681 | 4,970,917 | 3,965,037 |
| Expenses | | | | | |
| Administrative and general expenses | 16 | (15,507,471) | (7,591,092) | (6,933,083) | (3,437,296) |
| Finance charges | | (2,635,479) | (654,216) | (1,374,485) | (291,531) |
| Total expenses | | (18,142,950) | (8,245,308) | (8,307,568) | (3,728,827) |
| (Loss) /profit for the period | | (4,786,188) | 2,432,373 | (3,336,651) | 236,210 |
| Other comprehensive income for the period | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Net change in fair value of available for sale investments | | (267,708) | 57,366 | (267,708) | (191,220) |
| Total comprehensive (loss)/income for the period | | (5,053,896) | 2,489,739 | (3,604,359) | 44,990 |
| Basic and diluted (loss)/earnings per share (AED per share) | 19 | (0.0085) | 0.0187 | (0.0059) | 0.0003 |

The notes on pages 7 to 18 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 to 2.

Al Safwa Mubasher Financial Services PrJSC

Condensed consolidated interim statement of changes in equity (Un-audited)

For the six-month period ended 30 June 2017

| | Share capital AED | Legal reserve AED | Treasury shares AED | Merger reserve AED | Fair value reserve AED | Retained earnings AED | Total AED |
|--|----------------------|-------------------------|---------------------------|--------------------------|------------------------------|-----------------------------|--------------------|
| Balance at 1 January 2016 | 129,841,748 | 3,631,718 | (2,000,000) | (86,252,428) | 382,442 | 24,510,314 | 70,113,794 |
| Total comprehensive income for the period | - | - | - | - | - | 2,432,373 | 2,432,373 |
| Profit for the period | - | - | - | - | - | - | 57,366 |
| <i>Other comprehensive income for the period</i> | - | - | - | - | 57,366 | - | 57,366 |
| Net change in fair value reserve | - | - | - | - | 57,366 | 2,432,373 | 2,489,739 |
| Total comprehensive income for the period | - | - | - | - | 57,366 | 2,432,373 | 2,489,739 |
| Balance at 30 June 2016 | 129,841,748 | 3,631,718 | (2,000,000) | (86,252,428) | 439,808 | 26,942,687 | 72,603,533 |
| Balance at 1 January 2017 | 563,841,748 | 3,631,718 | (2,000,000) | (390,410,680) | 420,686 | 23,909,899 | 199,393,371 |
| Total comprehensive loss for the period | - | - | - | - | - | (4,786,188) | (4,786,188) |
| Loss for the period | - | - | - | - | - | (4,786,188) | (4,786,188) |
| Net Change in fair value of AFS investments | - | - | - | - | (267,708) | - | (267,708) |
| Total comprehensive loss for the period | - | - | - | - | (267,708) | (4,786,188) | (5,053,896) |
| Balance at 30 June 2017 | 563,841,748 | 3,631,718 | (2,000,000) | (390,410,680) | 152,978 | 19,123,711 | 194,339,475 |

The notes on pages 7 to 18 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 to 2.

Al Safwa Mubasher Financial Services PrJSC
Condensed consolidated interim statement of cash flow
For the six-month period ended 30 June 2017

| | 30 June 2017 AED (Un-audited) | 30 June 2016 AED (Un-audited) |
|--|--|--|
| Cash flows from operating activities | | |
| Net (loss) /profit for the period | (4,786,188) | 2,432,373 |
| <i>Adjustments for non-cash and other items:</i> | | |
| Depreciation | 798,960 | 566,750 |
| Amortisation of intangible assets | 1,050,000 | - |
| Interest on bank borrowings | 1,217,152 | 230,781 |
| Interest income on deposits | (131,128) | (429,782) |
| Dividend income | (177,444) | - |
| <i>Operating income before changes in working capital</i> | (2,028,648) | 2,800,122 |
| Change in short term deposit under lien | 24,669,125 | (183,535) |
| Change in prepayments and other receivables | (41,979,502) | (9,939,583) |
| Change in due from related parties | 5,602,031 | 15,920,278 |
| Change in due to related parties | 25,639,156 | (6,511,740) |
| Change in trade and other payables | (33,102,682) | 3,737,831 |
| Change in employee end of service benefits | 499,120 | 28,600 |
| <i>Cash flows (used in)/generated from operating activities</i> | (20,701,400) | 5,851,973 |
| <i>Interest received on deposits</i> | 131,128 | 429,782 |
| <i>Net cash (used in)/generated from operating activities</i> | (20,570,272) | 6,281,755 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (1,631,930) | (30,098) |
| Development expenditure on investment properties | (193,597) | - |
| Dividend income received | 177,444 | - |
| <i>Net cash flows used in investing activities</i> | (1,648,083) | (30,098) |
| Cash flows from financing activities | | |
| Repayment of bank borrowings | (391,219) | (11,499,477) |
| Interest paid on bank borrowings | (1,217,152) | (230,781) |
| <i>Net cash flows used in financing activities</i> | (1,608,371) | (11,730,258) |
| Net decrease in cash and cash equivalents | (23,826,726) | (5,478,601) |
| Cash and cash equivalents at 1 January | 9,815,835 | 20,032,522 |
| Cash and cash equivalents at 30 June | (14,010,891) | 14,553,921 |
| Cash and cash equivalents at the end of period comprising of: | | |
| Cash at bank and in hand (refer note 10) | 153,807,859 | 192,855,747 |
| Client deposits | (146,486,059) | (178,301,826) |
| Bank overdraft | (21,332,691) | - |
| | (14,010,891) | 14,553,921 |

The notes on pages 7 to 18 are an integral part of the condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 to 2.

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2017

1 Legal status and principal activities

Al Safwa Mubasher Financial Services PrJSC ("the Company"), formerly known as Al Safwa Islamic Financial Services PrJSC ("Al Safwa"), was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Law No. 2 of 2015.

On 26 November 2015, Al Safwa was listed on the Dubai Financial Market ("DFM") as a Private Joint Stock Company (PrJSC).

As further explained in note 5, on 8 December 2016, the operations of Mubasher Financial Services LLC ("MFS") merged with Al Safwa and the combined entity was renamed as Al Safwa Mubasher Financial Services PrJSC. The Company continues to be listed on the DFM as a Private Joint Stock Company. Following the merger, the shareholders of MFS own 77% of the shares in the Company.

The Company's Parent ("Parent Company") is Mubasher Financial Service, Bahrain which owns 76.2% of the shares of the Company. The Company's ultimate parent is National Technology Group (the "Ultimate Parent Company") which is incorporated in the Kingdom of Saudi Arabia.

On 14 July 2009, Al Safwa established a subsidiary by subscribing to 10,000,000 shares of AED 1 each representing 100% equity shares in Al Safwa Capital LLC (the "subsidiary") incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no. 2 of 2015. The principal activity of the subsidiary is to hold investment properties and investment securities.

The condensed consolidated interim financial information comprise the Company and its wholly owned subsidiary, Al Safwa Capital LLC (collectively referred to as the "Group").

The principal activity of the Company is to act as an intermediary in dealings in shares, stocks, debentures and other securities including margin trading.

The registered office of the Company is P.O. Box 185085, Dubai, United Arab Emirates.

2 Basis of preparation

a) Statement of compliance

The condensed consolidated interim financial information have been prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Accounting Standards Board and applicable requirements of the UAE Federal Law No. 2 of 2015.

The condensed consolidated interim financial information do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2016 which have been prepared in accordance with IFRS.

b) Basis of measurement

The condensed consolidated interim financial information are prepared under the historical cost convention except for available-for-sale investments, which are measured at fair value.

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2017

2 Basis of preparation (continued)

c) Comparative information

These condensed consolidated interim financial information include comparative information as required by IFRS. As further explained in note 5, on 8 December 2016, the operations of MFS merged with Al Safwa. Following the merger, MFS shareholders hold 77% of the shares in the Company. The merger was accounted for as a reverse acquisition under IFRS 3 – ‘Business Combinations’ considering, amongst other facts of the transaction, that MFS acquired a controlling stake in the Company. Consequently, Al Safwa was treated as the ‘accounting acquiree’ and MFS was treated as the ‘accounting acquirer’ for accounting purposes. As a result, the financial information of the Company are shown as a continuation of the financial information of MFS with an adjustment to reflect the share capital and legal reserve of Al Safwa with corresponding adjustment reflected in a merger reserve.

The accounting policies and methods of computation adopted by the Group in preparation of these condensed consolidated interim financial information are the same as those applied by the Group in its annual audited consolidated financial statements as at 31 December 2016.

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

d) Functional and presentation currency

These condensed consolidated interim financial information are presented in United Arab Emirates Dirham (“AED”), which is the Company’s functional currency.

e) Use of estimates and judgments

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

In preparing these condensed consolidated interim financial information, significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2016.

3 Significant accounting policies

The accounting policies used in the preparation of these condensed consolidated interim financial information are consistent with those used in the preparation of the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2016, except for the adoption of new IFRSs which are effective for periods commencing on 1 January 2017.

The adoption of the new and amended standards and interpretations have been reflected in these condensed consolidated interim financial information as appropriate in terms of disclosure but do not have an impact on the financial position or performance of the Group during the period.

The accounting policies and measurement principles for goodwill and other intangible assets, investment properties and other financial assets and financial liabilities applied by the Group in these condensed consolidated interim financial information are the same as those applied in its audited consolidated financial statements as at and for the year ended 31 December 2016. These are disclosed under note 3c, 3e and 3f in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2016.

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2017

4 Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual consolidated audited financial statements as at and for the year ended 31 December 2016.

5 Business combination

Pursuant to a merger agreement between Al Safwa and MFS and shareholder resolutions of respective entities dated 21 January 2016, Ministerial Resolution number (499)/2016 issued by Ministry of Economy on 19 September 2016, and Emirates Securities and Commodities Authority ("ESCA") approval dated 11 October 2016 approving the merger, the Company commenced operations and traded as a combined entity under the revised name of Al Safwa Mubasher Financial Services PrJSC with effect from 8 December 2016, on completion of the formalities of the UAE exchanges. As a result of the merger, through the issue of new shares in the Company, MFS shareholders acquired 77% of the Company for a total consideration of AED 129,841,748. The merger is accounted for as a reverse acquisition under IFRS 3 – 'Business Combinations' considering, amongst other facts of the transaction, that MFS acquired a controlling stake in the Company. As such, for accounting purposes, Al Safwa is treated as the 'accounting acquiree' and MFS is treated as the 'accounting acquirer'.

Consequently, the condensed consolidated interim financial information of the Company are shown as a continuation of the financial information of MFS with an adjustment to reflect the legal share capital and statutory reserves of Al Safwa with corresponding adjustment reflected in a merger reserve. The comparative information in these condensed consolidated interim financial information are those of MFS except for the legal reserves and share capital which are of Al Safwa.

The process of evaluating the fair value of the identifiable net assets acquired as part of the acquisition in Al Safwa is currently ongoing. In the meantime, the Group has undertaken a preliminary assessment of the fair value of all the net assets of Al Safwa assumed at 8 December 2016, which is as follows:

| | <u>Provisional Fair value recognised on acquisition</u> | <u>Carrying value immediately prior to acquisition</u> |
|---|---|--|
| | <u>AED</u> | <u>AED</u> |
| Intangible assets - client relationships (note 5.2) | 10,100,000 | - |
| Intangible assets - Safwa brand (note 5.2) | 400,000 | - |
| | <u>10,500,000</u> | - |
| Property and equipment | 2,971,269 | 2,971,269 |
| Investment properties | 13,127,486 | 13,127,486 |
| Investment securities-available for sale | 6,572,240 | 3,923,864 |
| Short term deposit under lien | 30,000,000 | 30,000,000 |
| Prepayments and other receivables | 16,679,872 | 20,619,921 |
| Amount due from related parties | 6,179,894 | 6,179,894 |
| Cash and bank balances | 24,024,201 | 24,024,202 |
| Employee end of service benefits | (534,872) | (534,872) |
| Trade and other payables | (21,569,583) | (20,650,833) |
| Due to related parties | (240,000) | (240,000) |
| | <u>87,710,507</u> | <u>79,420,931</u> |
| Total identifiable net assets | 87,710,507 | 79,420,931 |
| Total consideration transferred (note 5.1) | 129,841,748 | |
| Goodwill arising on acquisition (note 5.2) | 42,131,241 | |

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2017

5 Business combination (continued)

5.1 Purchase consideration

As per the requirements of IFRS 3 for reverse acquisitions, the consideration for MFS acquisition of Al Safwa is the fair value of the equivalent number of shares that MFS would have to issue to Safwa shareholders that would give MFS shareholders and Al Safwa shareholders the same percentage of equity ownership of 77% and 23% respectively, in the Group.

5.2 Goodwill and other intangible assets

The movement in goodwill and other intangible assets during the period is as follows:

| | Goodwill AED | Client relationships AED | Safwa brand AED | Total AED |
|--|-------------------|--------------------------------|-----------------------|-------------------|
| Cost | | | | |
| As at 1 January 2017 | 42,131,241 | 10,100,000 | 400,000 | 52,631,241 |
| Amortisation for the period (note 16) | - | (1,010,000) | (40,000) | (1,050,000) |
| As at 30 June 2017 (Un-audited) | <u>42,131,241</u> | <u>9,090,000</u> | <u>360,000</u> | <u>51,581,241</u> |
| As at 31 December 2016 (Audited) | <u>42,131,241</u> | <u>10,100,000</u> | <u>400,000</u> | <u>52,631,241</u> |

6 Investment properties

| | Land AED | Property under construction AED | Total AED |
|--|-------------------|---------------------------------------|-------------------|
| Cost | | | |
| As at 1 January 2017 | 10,939,590 | 2,187,896 | 13,127,486 |
| Development expenditure | - | 193,597 | 193,597 |
| As at 30 June 2017 (Un-audited) | <u>10,939,590</u> | <u>2,381,493</u> | <u>13,321,083</u> |
| As at 1 January 2016 | - | - | - |
| Transfer as a result of business combination | 10,939,590 | 2,187,896 | 13,127,486 |
| As at 31 December 2016 (Audited) | <u>10,939,590</u> | <u>2,187,896</u> | <u>13,127,486</u> |

The legal title of land classified as investment property, having a book value of AED 3.4 million, is held by one of the shareholder of the Group for the beneficial interest of the Group. The Group's investment properties are all situated in the UAE.

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2017

7 Investment securities – available-for-sale

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--|--|---|
| Investment in Dubai Financial Market shares (refer note 7.1) | 2,122,546 | 2,390,254 |
| Investment in National Mass Holding Company (refer note 7.2) | 6,572,240 | 6,572,240 |
| | 8,694,786 | 8,962,494 |

7.1 This investment represents 1,912,203 shares of the Dubai Financial Market (DFM) held by the Group. These shares were allocated to the Group as part of DFM's Initial Public Offering at a cost of AED 1,969,568. The market value of these shares as at 30 June 2017 was AED 2,122,546 (31 December 2016: AED 2,390,254).

7.2 This investment represents 4.2% of interest held in National Mass Holding Company ("NMHC"), a private joint stock company incorporated in the sultanate of Oman and primarily involved in real estate development. The investment was acquired through the business combination (refer note 5).

8 Prepayments and other receivables

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--|--|---|
| Receivable from customers (note 8.1) | 61,973,856 | 23,555,615 |
| Provision for doubtful debt (note 8.2) | (4,772,566) | (5,110,151) |
| | 57,201,290 | 18,445,464 |
| Prepayments | 2,271,416 | 1,805,105 |
| <i>Other receivables:</i> | | |
| Net settlement due from: | | |
| Dubai Financial Market | 7,757,040 | 2,154,836 |
| Abu Dhabi Securities Exchange | 341,557 | 30 |
| Deposits | 865,935 | 6,319,869 |
| Receivable from brokerages (note 8.3) | 2,291,379 | - |
| Others | 924,535 | 948,346 |
| | 71,653,152 | 29,673,650 |

8.1 As at 30 June 2017, market value of securities held as collateral amounted to AED 57.2 million (31 December 2016: AED 18.9 million) against receivables from customers.

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2017

8 Prepayments and other receivables (continued)

8.2 Movement in allowance for impairment of receivables:

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--|--|---|
| At 1 January | 5,110,151 | - |
| Transfer as a result of business combination | - | 5,110,151 |
| Write-off | (337,585) | - |
| Closing balance | 4,772,566 | 5,110,151 |

- 8.3** Balance of AED 2,291,379 as at 30 June 2017 (31 December 2016: nil) represents deposits kept with brokers to execute trades in international markets on behalf of the Group's customers.

9 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include, parent, subsidiaries, key management personnel or their close family members.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Transactions with related parties are conducted on terms agreed mutually between the parties.

Details of the balances with related parties at 30 June 2017 and the significant transactions with related parties during the period are as follows:

Transactions during the period

| | 30 June 2017 AED (Un-audited) | 30 June 2016 AED (Un-audited) |
|--|--|--|
| Expenses incurred by related parties on behalf of the Group and recharged to the Group | 160,954 | 539,042 |
| Expenses incurred by the Group on behalf of related parties recharged to related parties | 2,524,018 | 9,855,711 |
| Salary and benefits provided to key management personnel | 2,687,640 | 601,995 |
| Commission income earned from Parent Company for trades executed on behalf of its customers. | 1,184,827 | 882,232 |
| Funds received from Direct Broker International for early partial settlement of Ijarah loan | - | 11,500,000 |

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2017

9 Related party transactions (continued)

Balances with related parties as at 30 June 2017 are as follows:

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--|--|---|
| Amount due from related parties | | |
| Direct FN DMCC (note 9.1) | 13,350,416 | 13,038,265 |
| Arabic Computer Systems Ltd. (note 9.1) | 3,317,316 | 3,312,016 |
| Mubasher for Securities – Egypt (note 9.1) | 78,560 | 78,560 |
| Direct Broker Co. KSA (note 9.1) | 3,540,980 | 3,540,980 |
| Mubasher Financial Services BSC (note 9.1) | 6,242,306 | 5,293,380 |
| Mubasher Holding Ltd. DIFC (note 9.1) | 52,313 | 52,313 |
| Direct Broker International (note 9.1) | 16,343,516 | 16,105,005 |
| Al Safwa Mubasher – Asset Management (note 9.1) | 1,019,130 | - |
| Amount receivable from Parent Company for balances receivable from the clients referred by them (note 9.2) | - | 8,104,283 |
| Amount receivable from a shareholder (note 9.3) | 6,189,348 | 6,211,114 |
| | <u>50,133,885</u> | <u>55,735,916</u> |
| Amount due to related parties | | |
| Amount payable to Parent Company for balances payable to the clients referred by them (note 9.2) | 25,639,156 | - |

- 9.1** The receivable balances represent expenses paid on behalf of and recharged to related parties.
- 9.2** These balances are receivable from/payable to the Parent Company for trades executed and settled on behalf of the Parent Company's customers.
- 9.3** The balance is receivable from a shareholder for trades executed and settled on his behalf by the Group. The receivable balance is past due for more than 90 days, however the balance is fully secured by shares held in DFM and ADX and is considered to be fully recoverable.

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10 Cash and bank balances

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|-----------------------------------|--|---|
| Cash at bank | | |
| - Group's deposits | 7,300,530 | 24,529,605 |
| - Cash in hand | 21,270 | 35,414 |
| - Customers' deposits (note 10.1) | 146,486,059 | 124,457,112 |
| | <u>153,807,859</u> | <u>149,022,131</u> |
| Cash at bank | <u>153,807,859</u> | <u>149,022,131</u> |
| Bank overdraft (note 10.2) | (21,332,691) | (14,749,184) |
| Customer deposits | (146,486,059) | (124,457,112) |
| | <u>(14,010,890)</u> | <u>9,815,835</u> |
| Cash and cash equivalents | <u>(14,010,890)</u> | <u>9,815,835</u> |

- 10.1** In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA"), the Group maintains separate bank accounts for amounts received from its customers ("customer deposits") which is not available to the Group other than to settle transactions executed on behalf of such customers.
- 10.2** The overdraft facility availed by the Group carries an interest rate of 1 month EIBOR plus 5.5% subject to a minimum rate of 7.5% per annum.

11 Share capital

| | 30 June 2017 Number of shares (Un-audited) | 31 December 2016 Number of shares (Audited) |
|---------------------------------------|---|--|
| In issue at 1 January | 563,841,748 | 129,841,748 |
| Issued to effect business combination | - | 434,000,000 |
| | <u>563,841,748</u> | <u>563,841,748</u> |
| In issue at 30 June /31 December | <u>563,841,748</u> | <u>563,841,748</u> |
| Total paid in capital (AED) | <u>563,841,748</u> | <u>563,841,748</u> |

Treasury shares

The treasury shares represent 2,000,000 shares of the Group held by Al Safwa Capital LLC, which is a 100% subsidiary of the Company.

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For the six month period ended 30 June 2017

11 Share capital (continued)

Merger reserve

The amount recognised as issued equity instruments in the condensed consolidated interim financial information is determined by adding the issued equity of the legal acquiree (MFS) outstanding immediately before the business combination to the fair value of the legal acquirer (Safwa). However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of Safwa, including the ordinary shares issued by Safwa to effect the merger. The difference between the share capital and statutory reserve of Safwa and the equity value of the Group as per IFRS 3 is transferred to a merger reserve.

The calculation for balances outstanding on the merger reserve as at 30 June 2017 and 31 December 2016 is shown in the table below.

| | 30 June 2017 (Un-audited) AED | 31 December 2016 (Audited) AED |
|---|--|---|
| Share capital of MFS transferred to merger reserve | 31,000,000 | 31,000,000 |
| Less: share capital of Safwa outstanding | (563,841,748) | (563,841,748) |
| Add: statutory reserve of MFS | 14,221,038 | 14,221,038 |
| Less statutory reserve of Safwa | (3,631,718) | (3,631,718) |
| Add: Purchase consideration in business combination | 129,841,748 | 129,841,748 |
| Add: treasury shares of Safwa | 2,000,000 | 2,000,000 |
| Total | <u>(390,410,680)</u> | <u>(390,410,680)</u> |

Legal reserve

As disclosed in 2 c), the legal reserve of the current and comparative years are those of Safwa, which is the legal acquirer. In accordance with UAE Federal Law, a minimum of 10% of the annual profit is to be transferred to this non-distributable statutory reserve. Such transfers may cease when the statutory reserve becomes equal to half of the paid up share capital.

12 Bank borrowings

In 2008, the Group was granted a forward Ijarah facility from an Islamic Bank to purchase an office space in the Emirate of Dubai. On 8 November 2012, the Group obtained the possession of office premises and the Ijarah facility of AED 24,051,620 was rescheduled to be repayable in 180 equal monthly instalments commencing from 8 December 2012. On 23 March 2016, the company made a partial early settlement of AED 10,400,000 following which the remaining balance of AED 8,306,820 was to be paid in 139 equal monthly instalments. The Ijarah facility bears a profit rate of EIBOR plus 3% p.a. and is secured by a first degree registered mortgage over the property.

As at 30 June 2017 the outstanding balance amounts to AED 7,470,162 (31 December 2016: AED 7,828,730). Non-current outstanding amount as at 30 June 2017 is AED 6,753,026 (31 December 2016: AED 7,111,594) and current outstanding amount as at 30 June 2017 is AED 717,136 (31 December 2016: AED 717,136).

In 2014 the Group was granted a vehicle loan of AED 221,589 repayable in 48 monthly instalments. Non-current outstanding amount as at 30 June 2017 is AED nil (31 December 2016: AED 13,029) and current outstanding amount as at 30 June 2017 is AED 39,105 (31 December 2016: AED 52,139).

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12 Bank borrowings (continued)

In 2015, the Group was granted a vehicle loan of AED 65,879 repayable in 60 monthly instalments. Non-current outstanding amount as at 30 June 2017 is AED 19,760 (31 December 2016: AED 26,348) and current outstanding amount as at 30 June 2017 is AED 13,176 (31 December 2016: AED 13,176).

13 Trade and other payables

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|---|--|---|
| Trade payables (note 13.1) | 122,224,192 | 123,712,188 |
| Net settlement due to: | | |
| - Dubai Financial Market | 71,752 | 8,129,009 |
| - Abu Dhabi Securities Exchange | 243,861 | 2,457,356 |
| - Nasdaq Dubai | 889,471 | 64,189 |
| - Other foreign markets | 85,114 | - |
| Other payables and accruals (note 13.2) | 3,189,710 | 3,415,093 |
| | 126,704,100 | 137,777,835 |

13.1 Trade payables mainly represent deposits from customers for the purpose of trading by the Group on their behalf.

13.2 Other payables and accruals include a provision of AED 918,750 (31 December 2016: 918,750) recognised in relation to a court judgement dated 28 December 2016 binding the Group to compensate a counterparty the claimed amount. The Group appealed the claim and is currently awaiting court ruling.

14 Contingent liabilities

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|-------------------------------------|--|---|
| Abu Dhabi Securities Exchange (ADX) | 30,000,000 | 45,000,000 |
| Dubai Financial Markets (DFM) | 50,000,000 | 59,000,000 |
| NASDAQ Dubai Limited (NASDAQ) | 5,527,500 | - |
| | 85,527,500 | 104,000,000 |

The guarantees issued are secured by fixed deposits of AED 17,454,617 (31 December 2016: AED 42,123,742).

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15 Commitments

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--|--|---|
| Capital commitments | | |
| Development expenditure on investment property (note 15.1) | 281,507 | 475,104 |
| Other capital commitment (note 15.2) | 1,176,556 | 2,503,384 |
| | 1,458,063 | 2,978,488 |
| Other commitments | | |
| Undrawn margin commitments | 75,848,049 | 35,493,820 |
| | 77,306,112 | 38,472,308 |

15.1 The Group has a commitment of development expenditure on investment properties amounting to AED 281,507 (31 December 2016: AED 475,104). The Group has signed an agreement with a contractor on 2 February 2014 to construct six sheds on land which is classified as investment property in the Group's condensed consolidated interim financial information. The total value of the contract is AED 2.6 million and as at the reporting date the Group has paid AED 2.38 million as per the agreement.

15.2 On 1 December 2016, the Group entered into an agreement with a third party to pay AED 2,695,000 for fit out work on the office premises purchased in Dubai. As at the reporting date, the Group has paid AED 1,518,444.

Lease commitments

At 30 June 2017, the annual commitments under non-cancellable operating leases were as follows:

| | 30 June 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--------------------|--|---|
| Less than one year | 157,850 | 270,117 |

16 Administrative and general expenses

| | 30 June 2017 AED (Un-audited) | 30 June 2016 AED (Un-audited) |
|---------------------------------|--|--|
| Staff cost | 8,817,894 | 3,438,800 |
| Trading expenses | 2,578,228 | 2,116,897 |
| Depreciation | 798,960 | 566,750 |
| Amortisation (note 5.2) | 1,050,000 | - |
| Rent | 337,942 | 299,466 |
| Sales and marketing expenses | 14,529 | 5,299 |
| Legal and professional expenses | 524,972 | 121,364 |
| Registration and license fees | 91,840 | 271,769 |
| Communication | 301,609 | 119,933 |
| Travelling expenses | 357,819 | 144,478 |
| Other expenses | 633,678 | 506,336 |
| | 15,507,471 | 7,591,092 |

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17 Fair value hierarchy of assets measured at fair value

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|--|------------------|----------------|------------------|------------------|
| 30 June 2017 (Un-audited) | | | | |
| Financial assets – Available-for- sale investments | 2,122,546 | - | 6,572,240 | 8,694,786 |
| 31 December 2016 (Audited) | | | | |
| Financial assets - Available-for- sale investments | 2,390,254 | - | 6,572,240 | 8,962,494 |

There is no movement in the fair value of available-for-sale investment and hence, a level 3 reconciliation is not presented. There were no transfers between level 1, 2 and 3 during the period ended 30 June 2017 and the year ended 31 December 2016.

18 Operating segments

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group has one segment as its primary activity is to act as an intermediary in dealings in shares, stocks, debentures and other securities in the UAE.

19 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit or loss for the period attributable to owners of the Group by the weighted average number of shares outstanding during the period as follows:

| | 30 June 2017 AED (Un-audited) | 30 June 2016 AED (Un-audited) |
|---|--|--|
| (Loss) /profit for the period attributable to shareholders of the Group | (4,786,188) | 2,432,373 |
| Weighted average number of shares outstanding during the period | 563,841,748 | 129,841,748 |
| Basic and diluted (loss) /earning per share (AED per share) | (0.0085) | 0.0187 |