

**Al Safwa Mubasher
Financial Services PrJSC**

**Condensed consolidated interim
financial information**

For the three-month period ended 31 March 2017

Al Safwa Mubasher Financial Services PrJSC

Condensed consolidated interim financial information (Un-audited)

For the three-month period ended 31 March 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 31 March 2017 condensed consolidated interim financial information of Al Safwa Mubasher Financial Services PrJSC (the "Company") and its subsidiary (the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2017;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 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 31 March 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

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 14 MAY 2017

Al Safwa Mubasher Financial Services PrJSC
Condensed consolidated interim statement of financial position
As at 31 March 2017

		31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Assets	<i>Note</i>		
Non-current assets			
Goodwill and other intangible assets	5	52,106,241	52,631,241
Property and equipment		11,096,154	11,421,395
Investment properties	6	13,321,083	13,127,486
Investment securities – available for sale	7	8,962,494	8,962,494
Total non-current assets		85,485,972	86,142,616
Current assets			
Short term deposit under lien	14	17,387,505	42,123,742
Prepayments and other receivables	8	55,851,428	29,673,650
Amount due from related parties	9	49,675,154	55,735,916
Cash and bank balances	10	225,465,210	149,022,131
Total current assets		348,379,297	276,555,439
Total assets		433,865,269	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		420,686	420,686
Retained earnings		22,460,362	23,909,899
Merger reserve	11	(390,410,680)	(390,410,680)
Total equity		197,943,834	199,393,371
Liabilities			
Non-current liabilities			
Bank borrowings	12	6,955,359	7,150,971
Employees' end of service benefits		3,444,478	2,844,243
Total non-current liabilities		10,399,837	9,995,214
Current liabilities			
Trade and other payables	13	167,037,727	137,777,835
Bank borrowings	12	782,451	782,451
Amount due to related parties	9	30,524,515	-
Bank overdraft	10	27,176,905	14,749,184
Total current liabilities		225,521,598	153,309,470
Total liabilities		235,921,435	163,304,684
Total equity and liabilities		433,865,269	362,698,055

The condensed consolidated interim financial information were approved and authorised for issue by the Board of Directors on 14 MAY 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 three-month period ended 31 March 2017

	<i>Note</i>	Three-month period ended 31 March 2017 AED (Un-audited)	Three-month period ended 31 March 2016 AED (Un-audited)
Income			
Commission income		7,524,681	6,503,284
Finance income		63,847	72,506
Other income		797,317	136,854
		-----	-----
Total income		8,385,845	6,712,644
		-----	-----
Expenses			
Administrative and general expenses	16	(8,574,388)	(4,153,796)
Finance charges		(1,260,994)	(362,685)
		-----	-----
Total expenses		(9,835,382)	(4,516,481)
		-----	-----
(Loss) /profit for the period		(1,449,537)	2,196,163
		=====	=====
Other comprehensive income for the period			
<i>Items that may be reclassified to profit or loss</i>			
Net increase in fair value of available for sale investments		-	248,586
		-----	-----
Total comprehensive (loss)/income for the period		(1,449,537)	2,444,749
		=====	=====
Basic and diluted (loss)/earnings per share (AED per share)	19	(0.00)	0.02
		=====	=====

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 three-month period ended 31 March 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							
Profit for the period	-	-	-	-	-	2,196,163	2,196,163
<i>Other comprehensive income for the period</i>							
Net change in fair value reserve	-	-	-	-	248,586	-	248,586
	-----	-----	-----	-----	-----	-----	-----
Total comprehensive income for the period	-	-	-	-	248,586	2,196,163	2,444,749
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 March 2016	129,841,748	3,631,718	(2,000,000)	(86,252,428)	631,028	26,706,477	72,558,543
	=====	=====	=====	=====	=====	=====	=====
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							
Loss for the period	-	-	-	-	-	(1,449,537)	(1,449,537)
	-----	-----	-----	-----	-----	-----	-----
Total comprehensive loss for the period	-	-	-	-	-	(1,449,537)	(1,449,537)
	-----	-----	-----	-----	-----	-----	-----
Balance at 31 March 2017	563,841,748	3,631,718	(2,000,000)	(390,410,680)	420,686	22,460,362	197,943,834
	=====	=====	=====	=====	=====	=====	=====

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 three-month period ended 31 March 2017

	31 March 2017 AED (Un-audited)	31 March 2016 AED (Un-audited)
Cash flows from operating activities		
Net (loss) /profit for the period	(1,449,537)	2,196,163
<i>Adjustments for non-cash and other items:</i>		
Depreciation	420,344	289,899
Amortisation of intangible assets	525,000	-
Interest on bank borrowings	594,579	153,712
Interest income on deposits	(63,847)	(209,360)
<i>Operating income before changes in working capital</i>	26,539	2,430,414
Change in short term deposit under lien	24,672,390	(72,429)
Change in prepayments and other receivables	(17,725,957)	(5,631,868)
Change in due from related parties	(6,060,762)	11,485,832
Change in due to related parties	30,524,515	(3,344,358)
Change in trade and other payables	2,523,601	71,027
Change in employee end of service benefits	600,235	(54,126)
<i>Cash flows generated from operating activities</i>	34,560,561	4,884,492
<i>Interest received on deposits</i>	63,847	209,360
<i>Net cash generated from operating activities</i>	34,624,408	5,093,852
Cash flows from investing activities		
Purchase of property and equipment	(95,102)	(26,234)
Development expenditure on investment properties	(193,597)	-
<i>Net cash flows used in investing activities</i>	(288,699)	(26,234)
Cash flows from financing activities		
Repayment of bank borrowings	(199,749)	(10,828,652)
Interest paid on bank borrowings	(594,579)	(153,712)
<i>Net cash flows used in financing activities</i>	(794,328)	(10,982,364)
Net increase / (decrease) in cash and cash equivalents	33,541,381	(5,914,746)
Cash and cash equivalents at 1 January	9,815,835	20,032,522
Cash and cash equivalents at 31 March	43,357,216	14,117,776
Cash and cash equivalents at the end of period comprising of:		
Cash at bank and in hand (refer note 10)	225,465,210	145,834,618
Client deposits	(154,931,089)	(131,716,842)
Bank overdraft	(27,176,905)	-
	43,357,216	14,117,776

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 three month period ended 31 March 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. UAE Federal Law no 2 of 2015 being the Commercial Companies Law ("the UAE Companies Law of 2015") was issued on 1 April 2015 to come into force on 1 July 2015 repealing the old UAE Federal Law No. 8 of 1984 (as amended). Companies are mandated to comply with the UAE Companies Law of 2015 by 30 June 2017.

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 three month period ended 31 March 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 three month period ended 31 March 2017

4 Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual 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>AED</u>	<u>Carrying value immediately prior to acquisition</u> <u>AED</u>
Intangible assets - client relationships (note 5.2)	10,100,000	-
Intangible assets - Safwa brand (note 5.2)	400,000	-
	10,500,000	-
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)
	87,710,507	79,420,931
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 three month period ended 31 March 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)	-	(505,000)	(20,000)	(525,000)
	-----	-----	-----	-----
As at 31 March 2017 (Un-audited)	42,131,241	9,595,000	380,000	52,106,241
	=====	=====	=====	=====
	-----	-----	-----	-----
As at 31 December 2016 (Audited)	42,131,241	10,100,000	400,000	52,631,241
	=====	=====	=====	=====

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 31 March 2017 (Un-audited)	10,939,590	2,381,493	13,321,083
	=====	=====	=====
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)	10,939,590	2,187,896	13,127,486
	=====	=====	=====

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 three month period ended 31 March 2017

7 Investment securities – available-for-sale

	31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Investment in Dubai Financial Market shares (refer note 7.1)	2,390,254	2,390,254
Investment in National Mass Holding Company (refer note 7.2)	6,572,240	6,572,240
	-----	-----
	8,962,494	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 31 March 2017 was AED 2,390,254 (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

	31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Receivable from customers (note 8.1)	45,194,822	23,555,615
Provision for doubtful debt (note 8.2)	(4,772,566)	(5,110,151)
	-----	-----
	40,422,256	18,445,464
Prepayments	3,016,341	1,805,105
<i>Other receivables:</i>		
Net settlement due from:		
Dubai Financial Market	7,010,619	2,154,836
Abu Dhabi Securities Exchange	3,596,070	30
Deposits	793,080	6,319,869
Others	1,013,062	948,346
	-----	-----
	55,851,428	29,673,650
	=====	=====

8.1 As at 31 March 2017, market value of securities held as collateral amounted to AED 53.5 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 three month period ended 31 March 2017

8 Prepayments and other receivables (continued)

8.2 Movement in allowance for impairment of receivables:

	31 March 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
	=====	=====

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 31 March 2017 and the significant transactions with related parties during the period are as follows:

Transactions during the period

	31 March 2017 AED (Un-audited)	31 March 2016 AED (Un-audited)
Expenses incurred by related parties on behalf of the Group and recharged to the Group	24,296	534,542
	=====	=====
Expenses incurred by the Group on behalf of related parties recharged to related parties	386,173	4,546,065
	=====	=====
Salary and benefits provided to key management personnel	1,391,820	398,795
	=====	=====
Commission income earned from Parent Company for trades executed on behalf of its customers.	586,200	512,390
	=====	=====
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 three month period ended 31 March 2017

9 Related party transactions (continued)

Balances with related parties as at 31 March 2017 are as follows:

	31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Amount due from related parties		
Direct FN DMCC (note 9.1)	13,293,836	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)	5,966,352	5,293,380
Mubasher Holding Ltd. DIFC (note 9.1)	52,313	52,313
Direct Broker International (note 9.1)	16,221,419	16,105,005
Al Safwa Mubasher – Asset Management (note 9.1)	1,015,030	-
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
	----- 49,675,154 =====	----- 55,735,916 =====
Amount due to related parties		
Amount payable to Parent Company for balances payable to the clients referred by them (note 9.2)	30,524,515	-
	=====	=====

- 9.1** The receivable balances represents 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.

Al Safwa Mubasher Financial Services PrJSC

Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2017

10 Cash and bank balances

	31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Cash at bank		
- Group's deposits	70,521,726	24,529,605
- Cash in hand	12,395	35,414
- Customers' deposits (note 10.1)	154,931,089	124,457,112
	-----	-----
Cash at bank	225,465,210	149,022,131
	=====	=====
Bank overdraft (note 10.2)	(27,176,905)	(14,749,184)
Customer deposits	(154,931,089)	(124,457,112)
	-----	-----
Cash and cash equivalents	43,357,216	9,815,835
	=====	=====

- 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

	31 March 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
	-----	-----
In issue at 31 March /31 December	563,841,748	563,841,748
	=====	=====
Total paid in capital (AED)	563,841,748	563,841,748

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 three month period ended 31 March 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 31 March 2017 and 31 December 2016 is shown in the table below.

	31 March 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	(390,410,680)	(390,410,680)

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 31 March 2017 the outstanding balance amounts to AED 7,649,446 (31 December 2016: AED 7,828,729). Non-current outstanding amount as at 31 March 2017 is AED 6,932,305 (31 December 2016: AED 7,111,594) and current outstanding amount as at 31 March 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 31 March 2017 is AED nil (31 December 2016: AED 13,029) and current outstanding amount as at 31 March 2017 is AED 52,139 (31 December 2016: AED 52,139).

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Notes to the condensed consolidated interim financial information

For the three month period ended 31 March 2017

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 31 March 2017 is AED 23,054 (31 December 2016: AED 26,348) and current outstanding amount as at 31 March 2017 is AED 13,176 (31 December 2016: AED 13,176).

13 Trade and other payables

	31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Trade payables (note 13.1)	154,931,089	123,712,188
Net settlement due to:		
- Dubai Financial Market	3,481,090	8,129,009
- Abu Dhabi Securities Exchange	341,868	2,457,356
- Nasdaq Dubai	2,344,987	64,189
- Other foreign markets	2,550,796	-
Other payables and accruals (note 13.2)	3,387,897	3,415,093
	----- 167,037,727 =====	----- 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

	31 March 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 17,387,505 (31 December 2016: AED 42,123,742).

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15 Commitments

Capital commitments

	31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Development expenditure on investment property (note 15.1)	844,599	1,038,196
Other capital commitment (note 15.2)	2,669,000	2,695,000
	-----	-----
	3,513,599	3,733,196
	=====	=====

15.1 The Group has a commitment of development expenditure on investment properties amounting to AED 844,599 (31 December 2016: AED 1,038,196). 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 1.76 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.

Lease commitments

At 31 March 2017, the annual commitments under non-cancellable operating leases were as follows:

	31 March 2017 AED (Un-audited)	31 December 2016 AED (Audited)
Less than one year	297,192	270,117
	=====	=====

16 Administrative and general expenses

	31 March 2017 AED (Un-audited)	31 March 2016 AED (Un-audited)
Staff cost	4,891,380	1,712,300
Trading expenses	1,552,266	1,363,047
Depreciation	420,344	289,899
Amortisation (note 5.2)	525,000	-
Rent	183,946	148,718
Sales and marketing expenses	14,060	5,150
Legal and professional expenses	273,362	54,445
Registration and license fees	48,625	146,883
Communication	165,261	73,436
Travelling expenses	138,003	74,854
Other expenses	362,141	285,064
	-----	-----
	8,574,388	4,153,796
	=====	=====

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For the three month period ended 31 March 2017

17 Fair value hierarchy of assets measured at fair value

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 March 2017 (Un-audited)				
Financial assets – Available-for- sale investments	2,390,254	-	6,572,240	8,962,494
	=====	=====	=====	=====
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 31 March 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:

	31 March 2017 AED (Un-audited)	31 March 2016 AED (Un-audited)
(Loss) /profit for the period attributable to shareholders of the Group	(1,449,537)	2,196,163
	=====	=====
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)	(0.00)	0.02
	=====	=====