AL SAFWA MUBASHER FINANCIAL SERVICES PRJSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six month period ended

30 June 2018

AL SAFWA MUBASHER FINANCIAL SERVICES PRJSC
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
Six-month period ended 30 June 2018

Contents

RSM

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Shareholders
Al Safwa Mubasher Financial Services PrJSC

We have reviewed the accompanying condensed interim financial information of Al Safwa Mubasher Financial Services PrJSC ("the Company") as at 30 June 2018, comprising of the condensed consolidated interim statement of financial position as at 30 June 2018 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory notes, prepared for interim reporting purposes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). 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 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 consolidated interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2018, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards.

RSM Dahman

Ahmed Mohamed Salem Bamadhaf

Registration No.:459

Dubai, United Arab Emirates

16 Oct 2018

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
30 June 2018

	Note	*30 June 2018 AED (Un-audited)*	*31 December 2017 AED (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Goodwill and other intangible assets	4.2	54,955,549	55,350,549
Property and equipment		12,145,403	12,833,828
Investment properties	5	5,426,955	5,100,000
Investment at fair value through other comprehensive income	6	3,753,946	5,895,614
Total non-current assets		76,281,853	79,179,991
CURRENT ASSETS			
Assets held for sale	7	-	6,000,000
Short term deposit under lien		17,637,986	17,747,174
Prepayments and other receivables	8	90,138,136	130,219,026
Amount due from related parties	9(b)	42,302,860	46,217,686
Cash and bank balances	10	105,476,332	380,042,171
Total current assets		255,555,314	580,226,057
Total assets		331,837,167	659,406,048
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	11	563,841,748	563,841,748
Treasury shares	11(a)	(2,000,000)	(2,000,000)
Legal reserve	11(b)	3,631,718	3,631,718
Fair value through OCI reserve		(115,793)	56,306
Retained earnings		12,199,140	15,534,458
Merger reserve	11(c)	(390,410,680)	(390,410,680)
Total equity		187,146,133	190,653,550
NON-CURRENT LIABILITIES			
Bank borrowings	12	6,035,891	6,410,918
Employees' end of service benefits		2,452,820	2,227,574
Total non-current liabilities		8,488,711	8,638,492
CURRENT LIABILITIES			
Trade and other payables	13	108,523,297	381,116,221
Bank borrowings	12	717,136	743,347
Bank overdraft	10	26,961,890	78,254,438
Total current liabilities		136,202,323	460,114,006
Total equity and liabilities		331,837,167	659,406,048

Independent auditors' review report on page 1.

Dr. Khalid Al Ballaa
Managing Director

The attached notes 1 to 20 form an integral part of the condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
Six Months Ended 30 June 2018

	Note	*Six months ended* 30.06.2018 AED (Un-audited)	*Six months ended* 30.06.2017 AED (Un-audited)	*Three months ended* 30.06.2018 AED (Un-audited)	*Three months ended* 30.06.2017 AED (Un-audited)
INCOME					
Commission income	18	7,438,917	11,216,408	3,340,128	3,691,727
Income from margin trading		2,724,804	1,874,338	1,384,485	1,087,128
Finance income		154,346	131,128	66,886	67,281
Other Income		569,974	134,888	148,835	124,781
		10,888,041	13,356,762	4,940,334	4,970,917
EXPENSES					
General and administrative expenses	16	(11,657,875)	(15,507,471)	(5,633,898)	(6,933,083)
Financial charges		(2,565,484)	(2,635,479)	(1,190,369)	(1,374,485)
		(14,223,359)	(18,142,950)	(6,824,267)	(8,307,568)
LOSS FOR THE PERIOD		(3,335,318)	(4,786,188)	(1,883,933)	(3,336,651)
STATEMENT OF COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Other comprehensive income		-	-	-	-
Net other comprehensive income not to be reclassified subsequently to profit or loss		-	-	-	-
Items that will be reclassified subsequently to profit or loss:					
Net other comprehensive (loss) to be reclassified subsequently to profit or loss		(172,099)	(267,708)	-	(267,708)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(3,507,417)	(5,053,896)	(1,883,933)	(3,604,359)
Basic and diluted (loss)/earnings per share (AED per share)		(0.00)	(0.00)	(0.00)	(0.00)

The attached notes 1 to 20 form an integral part of the condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
Six Months Ended 30 June 2018

	Share capital *AED* *Note 11*	*Legal reserve* *AED* *Note 11(b)*	*Treasury shares* *AED* *Note 11(a)*	*Merger reserve* *AED* *Note 11(c)*	*Fair value reserve* *AED*	*Retained earnings* *AED*	*Total* *AED*
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 income for the period							
(Loss) for the period	-	-	-	-	-	(4,786,188))	(4,786,188)
Other comprehensive income for the period	-	-	-	-	(267,708)	-	(267,708)
Net change in fair value reserve	-	-	-	-	-	-	-
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
Balance at 1 January 2018	563,841,748	3,631,718	(2,000,000)	(390,410,680)	56,306	15,534,458	190,653,550
Total comprehensive loss for the period							
(Loss) for the period	-	-	-	-	-	(3,335,318)	(3,335,318)
Other comprehensive income for the period							
Net change in fair value reserve	-	-	-	-	(172,099)	-	(172,099)
Total comprehensive (loss) for the period	-	-	-	-	(172,099)	(3,335,318)	(3,507,417)
Balance at 30 June 2018	563,841,748	3,631,718	(2,000,000)	(390,410,680)	(115,793)	12,199,140	187,146,133

The attached notes 1 to 20 form an integral part of the condensed interim financial information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASHFLOWS
Six Months Ended 30 June 2018

	Six-month ended 30 June 2018 AED (Un-audited)	*Six-month ended 30 June 2017 AED (Un-audited)*
OPERATING ACTIVITIES		
Loss for the period	(3,335,318)	(4,786,188)
Adjustment for:		
Depreciation	883,085	798,960
Amortisation of intangible assets	395,000	1,050,000
Interest on bank borrowings	1,674,632	1,217,152
Interest income on deposits	(154,346)	(131,128)
Dividend income	-	(177,444)
Operating profit before working capital changes	(536,947)	(2,028,648)
Change in short term deposit under lien	109,188	24,669,125
Change in prepayments and other receivables	26,943,843	(41,979,502)
Change in due from related parties	3,914,826	5,602,032
Change in due to related parties	-	25,639,156
Change in trade and other payables	15,205,113	(33,102,682)
Change in employee end of service benefits	225,246	499,120
	45,861,269	(20,701,400)
Interest received on deposits	154,346	131,128
Cash flow from operating activities	46,015,615	(20,570,272)
INVESTING ACTIVITIES		
(Purchase) of furniture and equipment	(194,661)	(1,631,930)
Disposal of investment held for sale	6,000,000	-
Disposal of investment available for sale	1,969,568	-
Development expenditure on investment properties	(326,955)	(193,597)
Dividend income received	-	177,444
Cash flow from / (used in) investing activities	7,447,952	(1,648,083)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(401,238)	(391,219)
Interest paid on bank borrowings	(1,674,632)	(1,217,152)
Cash flow (used in) financing activities	(2,075,870)	(1,608,371)
INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	51,387,697	(23,826,726)
Cash and cash equivalents at 1 January	(76,458,946)	9,815,835
CASH AND CASH EQUIVALENTS AT 30 JUNE	(25,071,249)	(14,010,891)
Represented by:		
Cash and bank balances	105,476,332	153,807,859
Client deposits	(103,585,691)	(146,486,059)
Bank overdraft	(26,961,890)	(21,332,691)
Cash and cash equivalents at the end of period	(25,071,249)	(14,010,891)

The attached notes 1 to 20 form an integral part of the condensed interim financial information

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 4, 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.

The Parent company of the Group, Mubasher Financial Services Bahrain which owned 77% of the Company sold its entire shares to Mubasher Holding Limited and Direct Broker co. KSA in December 2017. Consequently, the Parent company of the Group is Mubasher Holding Limited.

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 26730, Dubai, United Arab Emirates.

The condensed consolidated financial information has been approved by Board of Directors on ___October 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

This condensed interim financial report for the six months period ended 30 June 2018 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Company:

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers. The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impact on the financial statements

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting. IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments, if any, arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

Based on management assessment, the new classification requirements do not have impact on its classification of financial assets as assets that are currently measured at amortised cost would continue to be amortised at amortised cost under IFRS 9. In terms of available for sale investments in equity shares that were carried at fair value, under IFRS 9, the Company has designated this investment as measured at FVTOCI. Consequently, all fair value gains and losses are reported in OCI, no impairment losses are recognised in the income statement and no gains or losses will be reclassified to the income statement.

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the Company has adopted the new rules retrospectively. However this change has not brought any adjustments to the amounts recognised in the financial statements in current period or previous periods.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

i) Classification- Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements, if applied at 1 January 2018, would have a material impact on its accounting for trade and other receivables and amount due from related parties. These financial assets will be classified under the amortised cost category of IFRS 9 since they meet the following criteria: - the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest/profit on the principal amount outstanding.

At 31 December 2017, the Group had equity investments classified as available-for-sale with a fair value of AED 5,895,614 that are held for long-term strategic purposes. Under IFRS 9, the Group will designate these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ii) Impairment- Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases;

– 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

– Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; the Group has chosen to apply this policy also for trade receivables with a significant financing component.

The cash and cash equivalents and fixed deposits under lien are held with bank and financial institution counterparties, which are rated Baa1 to Aa3, based on Moody's external credit ratings as at 31 December 2017. The estimated impairment on cash and cash equivalents will be calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents and deposits under lien have low credit risk based on the external credit ratings of the counterparties.

Based on its preliminary assessment, the Group does not believe that the new impairment requirements, if applied at 1 January 2018, would have a material impact on its consolidated financial statements.

iii) Classification- Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 1 January 2018.

iv) Transition

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018. Management has assessed that there are no such differences which causes the financial statements to be restated.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Based on its assessment, the Group does not believe that the new requirements under this standard, if applied at 1 January 2018, would have a material impact on its consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IFRS 15 Revenue from Contracts with Customers – Accounting policies

Brokerage commission revenue is recognised when the service has been rendered and when the Company's right to receive the income has been established. The commissions are recognised on a net basis, i.e. commission earned from customers less commission collected on behalf of the exchange. The Company believes this the most appropriate presentation because it acts as an agent in the transactions rather than as principal. Brokerage commission revenue is accounted on the day the trade is entered for and on behalf of investors.

Interest income is recognised on time proportionate basis.

Dividend income on equity instruments are recognised in income statement when the Company's right to receive the dividend is established.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases- Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of this standard.

3 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 2017.

4 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 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. As such, for accounting purposes, Al Safwa was treated as the 'accounting acquiree' and MFS was 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 group had evaluated the fair value of the identifiable net assets (including intangible assets) acquired as part of the acquisition in Safwa. The fair values of these assets and liabilities along with the goodwill arising on acquisition are shown in the table below.

4 BUSINESS COMBINATION *(continued)*

	Fair value recognised on acquisition AED
Intangible assets - client relationships	7,900,000
	7,900,000
Property and equipment	2,553,532
Investment properties	11,950,159
Investment securities-available for sale	3,869,738
Short term deposit under lien	30,000,000
Prepayments and other receivables	16,679,872
Amount due from related parties	6,179,896
Cash and bank balances	24,024,201
Employee end of service benefits	(534,874)
Trade and other payables	(20,781,325)
Due to related parties	(240,000)
Total identifiable net assets	81,601,199
Total consideration transferred (note 4.1)	129,841,748
Goodwill arising on acquisition	48,240,549

4.1 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.

4.2 Goodwill and other intangible assets

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

	Goodwill AED	*Client relationships AED*	*Total AED*
Cost:			
As at 1 January 2018	48,240,549	7,110,000	55,350,549
Amortisation for the period	-	(395,000)	(395,000)
As at 30 June 2018 (Un-audited)	48,240,549	6,715,000	54,955,549
As at 31 December 2017 (Audited)	48,240,549	7,110,000	55,350,549

5 INVESTMENT PROPERTIES

	Land *AED*	*Property under construction* *AED*	*Total* *AED*
Cost:			
As at 1 January 2017	6,150,159	5,800,000	11,950,159
Development expenditure	-	193,597	193,597
Impairment	(150,159)	(893,597)	(1,043,756)
Transfer to assets held for sale	(6,000,000)	-	(6,000,000)
As at 31 December 2017 (Audited)	-	5,100,000	5,100,000
Development expenditure	-	326,955	326,955
As at 30 June 2018 (Un-audited)	-	5,426,955	5,426,955

The fair value of Group's investment properties as at 30 June 2018 is AED 5.4 million (31 December 2017: 5.1m based on unobservable market inputs (i.e. level 3).

6 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 *AED* *(Un-audited)*	*31 December 2017* *AED* *(Audited)*
Investment in Dubai Financial Market shares	-	2,141,668
Investment in National Mass Holding Company	3,753,946	3,753,946
	3,753,946	5,895,614

This investment represents 2.5% 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 4).

During the period, the Group disposed investment in Dubai Financial Market shares.

7 ASSETS HELD FOR SALE

During the year 31 December 2017, management decided to sell 20 plots of land located in emirates of Ajman classified as investment properties. Accordingly, these plots are presented as assets held for sale as at the reporting date. The sale has been completed subsequent to the year end in February 2018 for a total consideration of AED 6,000,000. As at 31 December 2017, assets held for sale are stated at fair value less cost to sell.

8 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2018 *AED* *(Un-audited)*	*31 December 2017* *AED* *(Audited)*
Receivable from customers (note 8.1)	57,961,023	90,178,265
Provision for doubtful debt (note 8.2)	(4,148,714)	(3,957,218)
	53,812,309	86,221,047
Prepayments	1,751,805	415,122
Other receivables:		
Net settlement due from:		
Dubai Financial Market	22,473,166	29,494,407
Abu Dhabi Securities Exchange	100,787	6,979,150
NASDAQ	2,829,916	243,301
Deposits	788,084	812,468
Receivable from broker	7,274,761	5,152,944
Others	1,107,306	900,587
	90,138,134	130,219,026

8.1 As at 30 June 2018, market value of securities held as collateral amounted to AED 420.33 million (31 December 2017: AED 239.1 million) against receivables from customers.

8.2 Movement in allowance for impairment of receivables:

	30 June 2018 *AED* *(Un-audited)*	31 December 2017 *AED* *(Audited)*
At 1 January	3,957,218	5,110,151
Reversal of provision	-	(815,516)
Provision addition	191,496	-
Write-off	-	(337,417)
At 30 June / 31 December	4,148,714	3,957,218

9 RELATED PARTY TRANSACTIONS AND BALANCES

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 2018 and the significant transactions with related parties during the period are as follows:

9 RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

9(a) Transactions during the period

	30 June 2018 *AED* *(Un-audited)*	*30 June 2017* *AED* *(Un-audited)*
Expenses incurred by related parties on behalf of the Group and recharged to the Group	59,633	160,954
Expenses incurred by the Group on behalf of related parties recharged to related parties	964,433	2,524,018
Salary and benefits provided to key management personnel	2,300,047	2,687,640
Commission income earned from Mubasher Financial Services BSC for trades executed on behalf of its customers.	1,496,364	1,184,827

9(b) Balances with related parties as at 30 June 2018 are as follows:

	30 June 2018 *AED* *(Un-audited)*	*31 December 2017* *AED* *(Audited)*
Amount due from related parties:		
Direct FN DMCC (note 9.1)	14,161,922	13,738,631
Arabic Computer Systems Ltd. (note 9.1)	3,317,316	3,317,316
Mubasher for Securities – Egypt (note 9.1)	-	78,560
Direct Broker Co. KSA (note 9.1)	3,575,750	3,575,750
Mubasher Financial Services BSC (note 9.1, 9.2 and 9.3)	3,999,639	8,366,698
Mubasher Holding Ltd. DIFC (note 9.1)	-	55,313
NTG Investment LLC (note 9.1)	15,987,951	15,982,862
MFS – DIFC (note 9.1)	211,847	26,894
Al Safwa Mubasher – Asset Management (note 9.1)	1,048,435	1,033,435
Others (note 9.1)	-	42,227
	42,302,860	46,217,686

9.1 The receivable balances represents expenses paid on behalf of and recharged to related parties.

9.2 The company executed a trade between Mubasher Financial Services BSC, Mubasher Holding Limited and Direct Broker Co. in 2017. The Group waived its share of commission on this trade on the transaction date. This was also ratified by the Group and the related parties in a formal agreement dated 19 June 2018.

9.3 The Group has an Executing Broker agreement with Mubasher Financial Services BSC ("MFS BSC") to provide brokerage services on behalf of MFS BSC's customers wishing to trade in the UAE stock exchanges. The broker commission charged on these trades is on an agreed approved rate between the Group and MFS and is reviewed and revised periodically based on mutual agreement between the parties.

10 CASH AND BANK BALANCES

	30 June 2018 AED (Un-audited)	*31 December 2017 AED (Audited)*
Cash and bank		
- Group's deposits	1,866,475	1,781,080
- Cash in hand	24,166	14,412
- Customers' deposits (note 10.1)	103,585,691	378,246,679
Cash and bank	105,476,332	380,042,171
Bank overdraft (note 10.2)	(26,961,890)	(78,254,438)
Customer deposits	(103,585,691)	(378,246,679)
Cash and cash equivalents	(25,071,249)	(76,458,946)

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 2018 Number of shares (Un-audited)	*31 December 2017 Number of shares (Audited)*
In issue at 1 January	563,841,748	563,841,748
In issue at 30 June / 31 December	563,841,748	563,841,748
Total paid in capital (AED)	563,841,748	563,841,748

11(a) 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.

11(b) 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.

11 SHARE CAPITAL *(continued)*

11(c) 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 was transferred to a merger reserve.

The calculation for balances outstanding on the merger reserve as at 30 June 2018 and 31 December 2017 is shown in the table below.

	30 June 2018 (Un-audited) AED	*31 December 2017 (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)

12 BANK BORROWINGS

	30 June 2018 (Un-audited) AED	*31 December 2017 (Audited) AED*
Bank borrowings	6,753,027	7,111,594
Motor vehicle loan	-	42,671
	6,753,027	7,154,265
Disclosed under statement of financial position as follows:		
Non-current portion of bank borrowings	6,035,891	6,410,918
Current portion of bank borrowings	717,136	743,347
	6,753,027	7,154,265

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. The Ijarah facility bears a profit rate of EIBOR plus 1.75% p.a. and is secured by a first degree registered mortgage over the property.

During the period, the Group settled motor vehicle loan.

13 TRADE AND OTHER PAYABLES

	30 June 2018 AED (Un-audited)	*31 December 2017 AED (Audited)*
Trade payables	105,317,969	376,024,161
Net settlement due to:		
- Dubai Financial Market	152,135	1,571,606
- Abu Dhabi Securities Exchange	16,253	28,609
- Nasdaq Dubai	3,442	-
- Other foreign markets	20,867	10,985
Other payables and accruals	3,012,631	3,480,860
Total trade and other payables	108,523,297	381,116,221

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

14 CONTINGENT LIABILITIES

	30 June 2018 AED (Un-audited)	*31 December 2017 AED (Audited)*
Abu Dhabi Securities Exchange (ADX)	30,000,000	30,000,000
Dubai Financial Markets (DFM)	50,000,000	50,000,000
NASDAQ Dubai Limited (NASDAQ)	5,527,500	5,527,500
	85,527,500	85,527,500

The guarantees issued are secured by fixed deposits of AED 17,637,986 (31 December 2017: AED 17,747,174).

15 COMMITMENTS

Capital commitments

	30 June 2018 AED (Un-audited)	*31 December 2017 AED (Audited)*
Development expenditure on investment property (note 15.1)	281,507	281,507
Other capital commitment	-	187,252
	281,507	468,759

The Group has a commitment of development expenditure on investment properties amounting to AED 281,507 (31 December 2017: AED 281,507). 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 2.66 million and as at the reporting date the Group has paid AED 2.38 million as per the agreement.

16 ADMINISTRATIVE AND GENERAL EXPENSES

	Six months ended		*Three months ended*	
	30 June 2018 AED (Un-audited)	*30 June 2017 AED (Un-audited)*	*30 June 2018 AED (Un-audited)*	*30 June 2017 AED (Un-audited)*
Staff cost	5,911,528	8,817,894	2,877,329	3,926,514
Trading cost	2,180,353	2,578,228	887,098	1,027,631
Depreciation	883,085	798,960	438,400	378,617
Amortization	395,000	1,050,000	197,500	525,000
Rent	221,327	337,942	103,881	153,997
Sales and marketing	35,522	14,529	32,378	467
Legal and Professional	601,474	524,972	341,307	251,609
Registration	93,731	91,840	29,946	43,216
Communication	318,592	301,609	163,021	136,348
Travelling expenses	135,814	357,819	73,904	219,816
Customers Doubtful Debts	191,496	-	191,496	-
Other expenses	689,953	633,678	297,638	269,868
	11,657,875	15,507,471	5,633,898	6,933,083

17 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
30 June 2018 (Un-audited)				
Financial assets – Investment at fair value through OCI	-	-	3,753,946	3,753,946
31 December 2017 (Audited)				
Financial assets – Investment at fair value through OCI	2,141,668	-	3,753,946	5,895,614

There is no movement in the fair value of available-for-sale investment and hence, level 3 reconciliation is not presented. There were no transfers between level 1, 2 and 3 during the period ended 30 June 2018 and the year ended 31 December 2017.

18 COMMISSION INCOME

	30 June 2018 AED (Un-audited)	*30 June 2017 AED (Un-Audited)*
Gross Commission Income	13,726,967	20,025,800
Less: Discount to MFS BSC for trades executed on behalf of its customers	(6,288,050)	(8,809,392)
Commission Income	7,438,917	11,216,408

19 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.

20 BASIS 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 2018 *AED* *(Un-audited)*	*30 June 2017* *AED* *(Un-audited)*
(Loss) for the period attributable to shareholders of the Group	**(3,335,318)**	(4,786,188)
Weighted average number of shares outstanding during the period	**563,841,748**	563,841,748
Basic and diluted (loss) per share (AED per share)	**(0.00)**	(0.00)