

Mawarid Finance P.J.S.C.
Consolidated Financial Statements
for the year ended 31 December 2017



Directors' Report:

On behalf of Mawarid Finance Board of Directors, we are pleased to announce that Mawarid Finance PJSC Financial results show continued focus on our core business model, even if the overall results are not immediately obvious as these have been impacted by fair value losses on investment in properties and the credit provisioning on our financing segment.

The financial performance for the period ended 31 December 2017 underscores the fact that plans to turn Mawarid Finance around by significantly transforming its operations which are now underway. In these testing times, it takes a well-defined strategy to achieve sustainable growth; a balanced management approach to deliver core business performance; due diligence to mitigate risk and prudent growth to maintain prime assets quality; underpinned by deep understanding of operating environments to drive product and service innovation.

Performance Overview:

The Year 2017, has had its share of missed opportunities and disappointments in terms of further corporate and financial expansion. Difficult in global trade investment flows and heightened policy uncertainty exacerbated by low average oil prices and a general weak economic environment marked another difficult year for the world economy, those were played significantly contributing to a more limited pipeline of acceptable transactions and to a high level of provisioning. And this was addressed in a typical conservative and prudent manner.

We believe in building on firm foundation and do not comprise future success for short-term gains. We rigorously adhere to its core operating philosophy of revenue growth with sustainability and diversification, intelligent cost control and conservative provisioning.

- Consolidated net loss, attributable to equity shareholders of the parent, for the Year 2017 of AED 191.78 million as against net profit of AED 70.10 million in 2016.
- Total Balance sheet footing decreased by AED 87.11 million representing a 5% drop to reach AED 1.64 Billion (2016: AED 1.73 Billion) due to significant devaluation of the property values and credit provisioning, the decline in the balance mainly contributed by a decrease in the Financing investing assets and properties.
- Customers' deposits in the form of Wakala deposits were up by 23.27% to reach AED 578.22 million (2016: AED 469.07 million)

PO Box 212121 Dubai
United Arab Emirates
Tel: +971 4 304 0688
Fax: +971 4 425 0621
info@mawarid.ae
www.mawarid.ae



إكسبو 2020
دبي الإمارات العربية المتحدة
DUBAI, UNITED ARAB EMIRATES



إيمان دبي
البنية التحتية





Our strategy is not time bound. It is result orientated. Return on Equity is the goal not size or geographic span. As the logic of larger business combinations offered by our model becomes more apparent and as regional markets improve, we expect opportunities to secure rewarding deals for our shareholders.

Finally, our success is attributed to our clients for their loyalty. The vision and assistance of our different regulators, particularly Central Bank of UAE and the Sharia Supervisory Board, has also been indispensable to achieve our progress.

It's once again my pleasure to thank our shareholders and clients for their continuing support and for the trust shown in our ability to service their needs across Mawarid Finance PJSC.

Despite continued uncertainty in terms of the timing, pace and scope of economic recovery issue, Mawarid Finance and its board of Directors are cautiously optimistic of maintaining its progress and expect positive performance in the upcoming years.

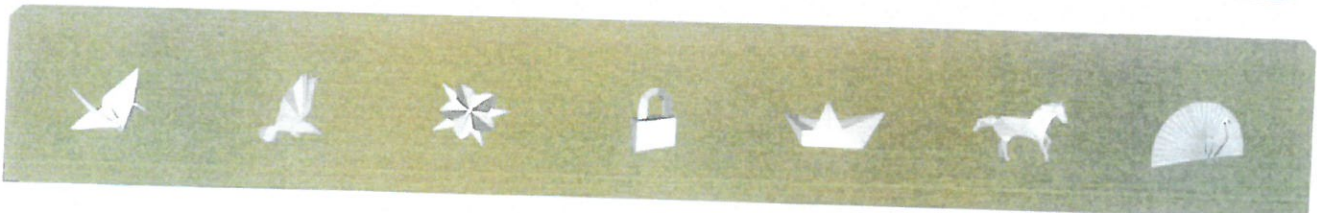
Allah the Almighty is the purveyor of all success

Mohamed Al Nuaimi
Managing Director and Chief Executive Officer

PO Box 212121 Dubai
United Arab Emirates
Tel: +971 4 324 0806
Fax: +971 4 423 0622
info@mawarid.ae
www.mawarid.ae



إكسبو 2020
دبي الإمارات العربية المتحدة
DUBAI UNITED ARAB EMIRATES





KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

Independent Auditors' Report

To the Shareholders of Mawarid Finance P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mawarid Finance P.J.S.C. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Director's report as set out on page 1 and 2.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



Other Information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:




Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)


- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mawarid Finance P.J.S.C.
 Consolidated statement of financial position
 as at 31 December 2017

		31 December 2017	31 December 2016
	Note	AED '000	AED '000
Assets			
Cash and balances with banks and financial institution	10	183,884	169,598
Financing and investing assets	12	278,256	373,289
Investment properties	13	214,512	235,989
Investment securities	14	244,619	222,730
Equity accounted investees	15	433,917	428,958
Goodwill	16	9,132	9,132
Property and equipment	17	142,617	138,489
Intangible assets	18	6,050	9,021
Other assets	19	133,242	146,135
TOTAL ASSETS		1,646,229	1,733,341
Equity and liabilities			
Equity			
Share capital	20	1,000,000	1,000,000
Treasury shares	20	(11,500)	(11,500)
Statutory reserve	21	40,659	40,659
General reserve	22	40,659	40,659
Investment revaluation reserve		-	(359)
(Accumulated loss) / retained earnings		(122,980)	98,459
Attributable to equity holders of the Parent		946,838	1,167,918
Non-controlling interest	23	4,964	6,863
Total equity		951,802	1,174,781
Liabilities			
Wakalah deposits	24	578,220	469,074
Other liabilities	25	116,207	89,486
Total liabilities		694,427	558,560
TOTAL EQUITY AND LIABILITIES		1,646,229	1,733,341


 Omran Al - Owais
 Chairman


 Mohamed Al Nuaimi
 Managing Director & CEO

Mawarid Finance P.J.S.C.
Consolidated statement of profit or loss
for the year ended 31 December 2017

		31 December	31 December
		2017	2016
	<i>Note</i>	AED '000	AED '000
Profit from financing and investing assets	26	31,990	27,765
Profit from Islamic deposits and wakalah placements	27	3,401	3,068
Unrealised (loss) / gain on revaluation of investment properties / foreclosed assets	13 & 19	(46,742)	39,396
Profit on investment carried at FVTPL		16,029	12,693
Other income	28	23,088	21,735
Loss on available for sale investments		(1,358)	-
Total income		26,408	104,657
General and administrative expenses	29	(111,934)	(79,346)
Total expenses		(111,934)	(79,346)
Depositors' share of profit		(937)	(224)
Provision (charge) / release on impairment	12	(100,974)	23,163
(Loss) / profit before share of equity accounted investees for the year		(187,437)	48,250
Share of (loss) / profit from equity accounted investees	15	(6,246)	20,045
(Loss) / profit for the year		(193,683)	68,295
<i>Attributable to:</i>			
Equity holders of the Parent		(191,784)	70,107
Non-controlling interest	23	(1,899)	(1,812)
		(193,683)	68,295

Mawarid Finance P.J.S.C.

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

	31 December 2017	31 December 2016
	AED '000	AED '000
(Loss) / profit for the year	(193,683)	68,295
Other comprehensive income:		
<i>Items that will never be reclassified to profit or loss</i>	-	-
<i>Items that are or may be reclassified to profit or loss:</i>		
Changes in fair value of available for sale investments	(999)	(53)
Available for sale investments reclassified to profit or loss	1,358	-
Total comprehensive (loss) / income for the year	(193,324)	68,242
Total comprehensive (loss) / income attributable to:		
Equity holders of the Parent	(191,425)	70,054
Non-controlling interest	(1,899)	(1,812)
Total comprehensive (loss) / income for the year	(193,324)	68,242