

Al Ramz Corporation
Investment and Development P.J.S.C.

Report of the Board of Directors and
Consolidated Financial Statements

31 December 2017

Al Ramz Corporation Investment and Development P.J.S.C.

Consolidated financial Statements

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Assalumuallikum,

On behalf of the Board of Directors, I am pleased to present to you the annual report of Al-Ramz Corporation Investment and Development, which highlights our main achievements during 2017. Our 2017 initiatives have resulted in record returns and a leading position in the financial and investment services sector. These initiatives are an organic manifestation of our robust and enterprising strategy, immersed and experienced leadership and dynamic and energetic management.

Internationally, global financial markets enjoyed a prosperous performance throughout 2017 amid low volatility and a positive outlook for the global economy. Global financial markets added about \$ 9 trillion to their total market capitalization during the year, and the MSCI World index rose by 22%. Similarly, emerging markets recorded hefty gains over the year on the back of a notable recovery for commodities, weaker dollar, plus an optimism towards economic growth. Of course, world markets were not immune to political noise and negative shocks, ranging from rising tensions with North Korea to uncertainties surrounding Britain's exit from the EU, political elections in Germany and turbulent circumstances in Spain and other European countries. Nonetheless, shifting to an economic recovery plus lasting stimulus packages and expansionary policies shielded many European and Asian markets from a potential downturn and contributed to rising capital markets, which recorded new highs throughout the year.

On the local and regional fronts, economic challenges and elevated levels of geopolitical risks continued to cast a shadow over markets for the past year. Therefore, the investors' confidence and trading sentiments were negatively impacted while foreign inflows were limited.

Thus, 2017 financial statistics showed that trading activity was negatively affected by the surrounding factors. Total value traded in 2017 for both Abu Dhabi Exchange and Dubai Financial Market declined to 160 billion dirhams compared to 181 billion dirhams in 2016 and 208 billion dirhams during 2015. Abu Dhabi Index declined during last year by nearly 3.3%, while DFM General Index fell by 4.6%.

Al Ramz was well equipped to tackle such tough circumstances, and has successfully directed its capabilities towards diversifying sources of income, supported by pioneering initiatives. The Group was able to realize growth in profitability and to maximize the return on its investments in 2017, demonstrating its adaptability to the prevailing circumstances no matter how difficult they are.



While we realize that tough conditions continue to lie ahead, we strongly believe that positive turning points are also imminent. Many business activities may enter into a new economic stage, which requires creative mindsets and agility to successfully grab potential opportunities, as well as to accommodate new economic and financial dynamics. . We therefore believe that investors' sentiment and confidence levels will improve significantly as oil prices stabilize, stronger economic ties with the Kingdom of Saudi Arabia, coupled with expansionary fiscal policies, will be key driving forces for economic recovery and growth. Thus, the IMF raised its forecast for UAE's real GDP growth to 3.3% in 2018 in contrast with a 2% estimate for last year.

Al Ramz's efforts have been tremendously successful with the continuous support and major development initiatives from the Securities and Commodities Authority and the financial markets to upgrade the investment climate and facilitate advanced financial instruments and services. We therefore extend our gratitude and appreciation to the efforts of decision-makers who have given us the opportunity to innovate and stand out.

We assure the shareholders that the Board of Directors and the Executive Management are working to lead the Group towards new horizons and vision. We extend our sincere appreciation for your trust and we will exert all the efforts to live up to it. We also would like to thank Al Ramz employees for their dedication to work, and for their commitment towards realizing the Group's vision and objectives.

Finally, we extend our gratitude to the President, HH Sheikh Khalifa bin Zayed Al Nahyan, Vice President, Prime Minister and Ruler of Dubai HH Sheikh Mohammed bin Rashid Al Maktoum, Crown Prince of Abu Dhabi, HH Sheikh Mohammed bin Zayed Al Nahyan, and the Supreme Council of Rulers of the UAE, for their wise leadership.



Chairman of Board of Directors



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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT P.J.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Ramz Corporation Investment and Development P.J.S.C (the "Company") and its subsidiaries (together the "Group"), which comprise of the consolidated statement of financial position as at 31 December 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 ("IFRSs").

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 *Auditor's responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition

The Group's major revenue stream arises from commission income. During the year ended 31 December 2017, the Group earned net commission income of AED 78,996,638. We focus on revenue recognition because it is material and is an important determinant of the Group's profitability. The occurrence and completeness of income stream, which is predominantly driven by volume of trading and market trends, is largely dependent on the effectiveness of the operational and financial controls in place by the Group.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT P.J.S.C. continued

Report on the Audit of the Consolidated Financial Statements continued

Our audit response

Our audit approach comprised a combination of controls testing and substantive procedures, including:

- We evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue process and performed control testing on revenue recognition.
- We agreed a sample of transactions to underlying accounting records including deal tickets and agreements to test whether the related revenues are recorded appropriately.
- We performed analytical procedures using disaggregated data and matching total value of trading with the relevant exchange market report.

Other information included in the Group's report of the Board of Directors

Other information consists of the information included in the report of the Board of Directors. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 the management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and 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.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is 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 auditor's 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.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT P.J.S.C. continued

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

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

- 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 auditor's report to the related disclosures in the 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 auditor's 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

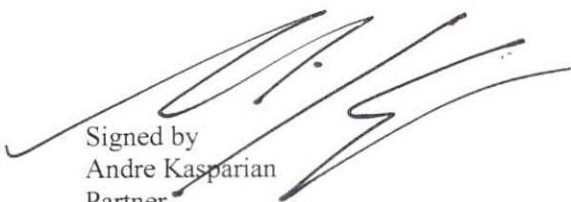
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT P.J.S.C. continued



Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the Articles of Association of the Company;
- iii) the Group has maintained proper books of account;
- iv) the consolidated financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group;
- v) investments in shares and stocks are included in note 10 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2017;
- vi) note 20 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2017, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its consolidated financial position as at 31 December 2017; and
- viii) based on the information provided to us, social contribution expense amounting to AED 24,750 has been recorded during the year.



Signed by
Andre Kasparian
Partner
Ernst & Young
Registration No. 365

14 February 2018
Abu Dhabi

Al Ramz Corporation Investment and Development P.J.S.C.

Consolidated statement of comprehensive income

For the year ended 31 December

	<i>Note</i>	2017 AED	2016 AED
Net commission income		78,996,638	78,542,997
Advisory, interest and other income	3	35,859,517	31,555,246
Gain on investments at fair value through profit or loss	10	16,965,937	2,279,656
General and administrative expenses	4	(53,882,341)	(45,161,883)
Finance costs		<u>(17,115,866)</u>	<u>(8,525,809)</u>
Profit for the year		<u>60,823,885</u>	<u>58,690,207</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>60,823,885</u>	<u>58,690,207</u>
Earnings per share			
Basic and diluted earnings per share	23	<u>0.111</u>	<u>0.125</u>

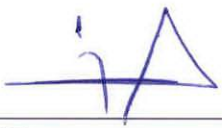
The notes 1 to 24 are an integral part of these consolidated financial statements.

Al Ramz Corporation Investment and Development P.J.S.C.

Consolidated statement of financial position

At 31 December

	<i>Note</i>	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Assets			
Non-current assets			
Property and equipment	5	22,671,368	24,197,514
Goodwill	7	<u>24,569,662</u>	<u>24,569,662</u>
		<u>47,241,030</u>	<u>48,767,176</u>
Current assets			
Margin receivables and prepayments	8	665,579,942	518,273,136
Guarantee deposits with markets	9	35,057,209	32,707,209
Due from securities markets	12	15,531,532	4,618,774
Investments carried at fair value through profit or loss	10	121,673,460	68,028,601
Bank balances and cash	11	<u>342,483,690</u>	<u>301,931,521</u>
		<u>1,180,325,833</u>	<u>925,559,241</u>
Total assets		<u>1,227,566,863</u>	<u>974,326,417</u>
Equity and liabilities			
Equity			
Share capital	13	549,915,858	549,915,858
Acquisition reserve	13	(283,966,320)	(283,966,320)
Statutory reserve	14	60,313,958	54,231,570
General reserve	15	19,525,162	16,483,968
Retained earnings		<u>157,522,383</u>	<u>133,317,873</u>
Total equity		<u>503,311,041</u>	<u>469,982,949</u>
Non-current liability			
Employees' end of service benefits	16	<u>4,780,616</u>	<u>3,934,697</u>
Current liabilities			
Accounts payable and accruals	17	300,428,070	253,714,237
Due to securities markets	12	-	26,380,979
Short term borrowings	18	<u>419,047,136</u>	<u>220,313,555</u>
		<u>719,475,206</u>	<u>500,408,771</u>
Total liabilities		<u>724,255,822</u>	<u>504,343,468</u>
Total equity and liabilities		<u>1,227,566,863</u>	<u>974,326,417</u>


Chairman


Managing Director


Chief Financial Officer

The notes 1 to 24 are an integral part of these consolidated financial statements.

Al Ramz Corporation Investment and Development P.J.S.C.

Consolidated statement of changes in equity
For the year ended 31 December 2017

	<i>Share capital AED</i>	<i>Acquisition reserve AED</i>	<i>Statutory reserve AED</i>	<i>General reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
At 1 January 2016	150,000,000	-	48,552,272	13,644,319	83,496,773	295,693,364
Acquisition reserve (<i>note 13</i>)	399,915,858	(399,915,858)	-	-	-	-
Deemed consideration (<i>note 6</i>)	-	115,949,538	-	-	-	115,949,538
Transaction cost on rights issue	-	-	-	-	(350,160)	(350,160)
Total comprehensive income for the year	-	-	-	-	58,690,207	58,690,207
Transfer to statutory reserve	-	-	5,679,298	-	(5,679,298)	-
Transfer to general reserve	-	-	-	<u>2,839,649</u>	<u>(2,839,649)</u>	-
Balance at 31 December 2016	<u>549,915,858</u>	<u>(283,966,320)</u>	<u>54,231,570</u>	<u>16,483,968</u>	<u>133,317,873</u>	<u>469,982,949</u>
At 1 January 2017	549,915,858	(283,966,320)	54,231,570	16,483,968	133,317,873	469,982,949
Total comprehensive income for the year	-	-	-	-	60,823,885	60,823,885
Transfer to statutory reserve	-	-	6,082,388	-	(6,082,388)	-
Transfer to general reserve	-	-	-	3,041,194	(3,041,194)	-
Dividend paid (<i>note 13</i>)	-	-	-	-	<u>(27,495,793)</u>	<u>(27,495,793)</u>
Balance at 31 December 2017	<u>549,915,858</u>	<u>(283,966,320)</u>	<u>60,313,958</u>	<u>19,525,162</u>	<u>157,522,383</u>	<u>503,311,041</u>

The notes 1 to 24 are an integral part of these consolidated financial statements.

Al Ramz Corporation Investment and Development P.J.S.C.

Consolidated statement of cash flows

For the year ended 31 December

	<i>Note</i>	2017 AED	2016 AED
Cash flows from operating activities			
Profit for the year		60,823,885	58,690,207
<i>Adjustments for:</i>			
Depreciation	5	2,811,016	3,693,083
Provision for employees' end of service benefits	16	1,722,502	458,201
Interest income	3	(1,727,048)	(2,802,051)
Finance costs		17,115,866	8,525,809
Gain on investments carried at fair value through profit or loss		(16,965,937)	(2,279,656)
Dividend income	3	(2,368,400)	(140,027)
Gain on disposal of property and equipment		-	(13,688)
		61,411,884	66,131,878
<i>Changes in:</i>			
Margins, receivables and prepayments		(147,306,807)	(128,486,205)
Guarantee deposits with market		(2,350,000)	1,592,791
Due from/to securities markets, net		(37,293,738)	(1,991,795)
Accounts payable and accruals		46,713,833	(94,015,321)
Cash used in operating activities		(78,824,828)	(156,768,652)
Employees' end of service benefits paid	16	(876,583)	(1,161,153)
Finance costs paid		(17,115,866)	(8,525,809)
Net cash used in operating activities		(96,817,277)	(166,455,614)
Cash flows from investing activities			
Purchase of property and equipment	5	(1,284,870)	(10,214,677)
Interest income received		1,727,048	2,802,051
Proceeds from disposal of property and equipment		-	60,000
Dividend income received		2,368,400	140,027
Acquisition of subsidiary	6	-	(5,478,324)
Purchase of investments at fair value through profit or loss	10	(176,746,353)	(62,764,327)
Sale of investments at fair value through profit or loss	10	140,067,431	74,816,347
Net cash used in investing activities		(33,868,344)	(638,903)
Cash flows from financing activities			
Short term borrowings, net		7,273,607	(150,248,816)
Proceeds from right issue		-	94,915,858
Transaction costs on issue of right shares		-	(350,160)
Dividend paid	13	(27,495,793)	-
Net cash used in financing activities		(20,222,186)	(55,683,118)
Decrease in cash and cash equivalents		(150,907,807)	(222,777,635)
Cash and cash equivalents at 1 January		167,497,441	390,275,076
Cash and cash equivalents at 31 December	11	16,589,636	167,497,441

The notes 1 to 24 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Reporting entity

Al Ramz Corporation Investment and Development P.J.S.C. (the "Company") is a limited liability company incorporated in the United Arab Emirates ("UAE") on 21 June 1975 by an Emiri Decree and it became a Public Shareholding Company in 1997.

The main activities of the Company and its subsidiaries (together referred to as the "Group") are to invest and manage commercial, industrial and agricultural enterprises and to provide brokerage services including brokerage in selling and buying shares, margin trading and to perform all related transactions and activities.

The Company's registered office is P.O. Box 121200, Dubai, United Arab Emirates.

These consolidated financial statements were authorised for issue by the Group's Board of Directors on 14 February 2018.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through profit or loss which are measured at fair value on the reporting date.

2.3 Functional and presentation currency

These consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Group.

2.4 Basis of consolidation

In 2016, the Company acquired 100% equity of Al Ramz Capital LLC and became legal parent of Al Ramz Capital LLC. This transaction was accounted for as a reverse acquisition under IFRS 3. Accordingly, the consolidated financial statements are a continuation of the financial statements of Al Ramz Capital LLC.

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Notes to the consolidated financial statements

2.4 Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

These consolidated financial statements include the financial statements of the Company and its subsidiaries listed below:

	<i>Country of incorporation</i>	<i>Ownership</i>
Al Ramz Capital LLC	UAE	99
ARC Real Estate LLC	UAE	99
ARC Investment LLC	UAE	99
ARC Properties LLC	UAE	99

The above subsidiaries are considered as wholly owned by the Company as non-controlling interest is held for the beneficial interest of the Company. Accordingly, no non-controlling interest is accounted for in relation to these entities in these consolidated financial statements.

2.5 New standards and interpretation effective 1 January 2017

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amendments to standards, effective as of 1 January 2017. Management believes that these amendments do not have a material impact on the annual financial statements of the Group.

- Disclosure initiative (Amendments to IAS7)

Notes to the consolidated financial statements

2.6 Use of judgements and estimates

Significant estimates and assumptions

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The key assumptions and other key sources of estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31 December 2018 are discussed below:

Impairment of margin trading receivables

An estimate of the collectible amount of margin trading receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the consolidated statement of financial position date, gross margin trading receivables were AED 662,910,398 (2016: AED 520,518,964) and the provision for doubtful debts was AED 5,757,433 (2016: AED 5,757,433). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognized in the consolidated statement of comprehensive income.

Impairment testing of goodwill

The Group's impairment testing for goodwill is based on calculating the recoverable amount of cash generating unit being tested. Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use for relevant cash generating units is derived from earning capitalization approach. The key assumptions used to determine the recoverable amount are further explained in note 7 to the consolidated financial statements.

Useful lives and residual values of property and equipment

Management reviews the residual values and estimated useful lives of property and equipment at the end of each annual reporting period in accordance with IAS 16. Based on its review, management believes that the residual values and useful lives of property and equipment have been reasonably estimated.

Notes to the consolidated financial statements

2.6 Use of judgements and estimates (continued)

Significant judgements

Reverse acquisition

Key judgements in respect of reverse acquisition made in 2016 were to determine whether the transaction to acquire Al Ramz Corporation Investment and Development PJSC represented a common control transaction or was an acquisition of an asset or a business combination. This involved assessing common control before and after the transaction and whether or not the entity acquired constitute the carrying on of a business i.e. whether there are inputs and processes applied to those inputs that have the ability to create outputs. Management has determined that it is not a common control transaction and entity acquired (Al Ramz Corporation Investment and Development PJSC) represent a business as it has inputs, processes applied to those inputs and outputs.

Reverse acquisition accounting requires calculation of deemed purchase consideration, which requires management to determine the shares exchange ratio and fair value of shares exchanged. Management determined that deemed purchase consideration was AED 115,949,538.

As part of reverse acquisition accounting, the fair values of the identifiable assets and liabilities assumed were recognized as of acquisition date. The determination of the fair values of acquired assets and liabilities was based, to a considerable extent, on management's judgement. If the purchase consideration exceeds the fair value of the net assets acquired then the difference is recognized as goodwill. If the purchase price consideration is lower than the fair value of the assets acquired then a gain is recognized in the consolidated income statement.

Goodwill arising on reverse acquisition of AED 3,928,006 is allocated to Group for impairment testing purpose, as management expects synergies to benefit the Group as a whole.

2.7 Summary of significant accounting policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received.

Commission income

Commission income represents the invoiced value of brokerage services provided by the Group during the year.

Revenue from services

Revenue from advisory and research services is recognised when services under the contract are performed.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Notes to the consolidated financial statements

2.7 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Finance income

Finance income from margin trading receivables is recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. The Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the statement of comprehensive income.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

Office premises	30 years
Office equipment	5 years
Motor vehicles	5 years
Furniture and fixtures	5 years

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated income statement.

Notes to the consolidated financial statements

2.7 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Reverse acquisition accounting requires calculation of deemed purchase consideration, which requires management to determine the shares exchange ratio and fair value of shares exchanged. This has been accounted for as acquisition reserve.

Financial assets and financial liabilities

i. Recognition and initial measurement

Financial assets at FVTPL are initially recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument.

Other financial assets and liabilities are recognised on the date when they are originated.

Financial assets at FVTPL are initially recognised at fair value with transaction costs recognised in profit or loss. Financial assets or financial liabilities not at FVTPL are initially recognised at fair value plus transactions costs that are directly attributable to their acquisition or issue.

Notes to the consolidated financial statements

2.7 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

ii. Classification

The Group classifies financial assets and financial liabilities into the following categories.

Financial assets at FVTPL: Held for trading: equity investments.

Financial assets at amortised cost: Loans and receivables: cash and cash equivalents, margins trading receivables, guarantee deposits with markets and due from securities markets.

Financial liabilities at amortised cost: Other liabilities: due to securities markets and short term borrowings.

A non-derivative financial asset with fixed or determinable payments may be classified as loans and a receivable unless it is quoted in active market or is an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

iii. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, its absence, the most advantageous market to which the Group has access at that date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the consolidated financial statements

2.7 Summary of significant accounting policies (continued)

Financial assets and financial liabilities (continued)

iv. Amortised cost measurement

The amortised cost of a financial asset or a financial liability is the amount at which, the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

v. Impairment

Financial assets not classified as at FVTPL are assessed for impairment at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or adverse changes in the payment status of a borrower.

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against receivables. Interest on the impaired asset continues to be recognized. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in the impairment loss is reversed through profit and loss.

vi. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred, or it neither transfer nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

vii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short term deposits with an original maturity of six months or less, net outstanding bank overdrafts.

Notes to the consolidated financial statements

2.7 Summary of significant accounting policies (continued)

Provisions

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation, arising as a result of past events, that can be estimated reliably, and it is probably that an outflow of economic benefit will be required to settle the obligation. Where the time has significant effect on the value then a provision is made at the current value for the expenses which is expected to be enough to settle these obligations.

When it is not possible that there will not be an outflow of economic benefit, or it is difficult to estimate the needed expenses in a reliable way, these expenses are recognised as contingent obligations except if there is a minimal or unlikely chance for repayment.

Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees, employees in accordance with the provisions of the applicable Labour law of the UAE. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.8 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

These standards are not expected to have a material impact on the Group's financial statements.

Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

3 Advisory, interest and other income

	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Advisory income	25,808,082	27,765,119
Management and performance fees	5,521,311	-
Dividend income	2,368,400	140,027
Interest income	1,727,048	2,802,051
Other income	<u>434,676</u>	<u>848,049</u>
	<u>35,859,517</u>	<u>31,555,246</u>

4 General and administrative expenses

	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Staff cost	39,460,809	32,033,285
Annual fees	3,368,854	3,315,327
Depreciation (<i>note 5</i>)	2,811,016	3,693,083
Marketing expenses	2,018,157	416,766
Information technology expenses	1,249,952	752,050
Communications	861,051	1,301,454
Rent	845,505	849,694
Social contribution	24,750	48,850
Other expenses	<u>3,242,247</u>	<u>2,751,374</u>
	<u>53,882,341</u>	<u>45,161,883</u>

Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

Property and equipment

	<i>Office premises AED</i>	<i>Office equipment AED</i>	<i>Motor vehicles AED</i>	<i>Furniture and fixtures AED</i>	<i>Total AED</i>
2017 Cost					
At 1 January 2017	22,172,374	16,171,823	1,169,704	10,958,564	50,472,465
Additions	<u>-</u>	<u>1,010,582</u>	<u>73,724</u>	<u>200,564</u>	<u>1,284,870</u>
At 31 December 2017	<u>22,172,374</u>	<u>17,182,405</u>	<u>1,243,428</u>	<u>11,159,128</u>	<u>51,757,335</u>
2017 Accumulated depreciation					
At 1 January 2017	2,554,727	14,060,051	637,490	9,022,683	26,274,951
Charge for the year	739,079	1,116,625	257,285	698,027	2,811,016
At 31 December 2017	<u>3,293,806</u>	<u>15,176,676</u>	<u>894,775</u>	<u>9,720,710</u>	<u>29,085,967</u>
2016 Cost					
At 1 January 2016	13,624,133	15,680,326	915,500	10,206,279	40,426,238
Additions	8,548,241	488,947	425,204	752,285	10,214,677
Additions relating to acquisition (note 6)	-	2,550	-	-	2,550
Disposals	<u>-</u>	<u>-</u>	<u>(171,000)</u>	<u>-</u>	<u>(171,000)</u>
At 31 December 2016	<u>22,172,374</u>	<u>16,171,823</u>	<u>1,169,704</u>	<u>10,958,564</u>	<u>50,472,465</u>
2016 Accumulated depreciation					
At 1 January 2016	1,815,648	12,667,636	546,760	7,676,512	22,706,556
Charge for the year	739,079	1,392,415	215,418	1,346,171	3,693,083
Disposals	<u>-</u>	<u>-</u>	<u>(124,688)</u>	<u>-</u>	<u>(124,688)</u>
At 31 December 2016	<u>2,554,727</u>	<u>14,060,051</u>	<u>637,490</u>	<u>9,022,683</u>	<u>26,274,951</u>
Carrying amounts					
At 31 December 2017	<u>18,878,568</u>	<u>2,005,729</u>	<u>348,653</u>	<u>1,438,418</u>	<u>22,671,368</u>
At 31 December 2016	<u>19,617,647</u>	<u>2,111,772</u>	<u>532,214</u>	<u>1,935,881</u>	<u>24,197,514</u>

Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

6 Business combination

On 11 October 2016, the shareholders of Al Ramz Capital LLC exchanged their shares with the Company for a consideration of AED 445 Million. This transaction was accounted for as reverse acquisition under IFRS 3 "Business Combinations" and accordingly Al Ramz Capital LLC was accounting acquirer and the Company was accounting acquiree. The fair value of identifiable assets and liabilities of the accounting acquiree, Al Ramz Corporation Investment and Development PJSC as of date of acquisition were as follows:

	<i>Fair values recognised on acquisition 2016 AED</i>
Assets	
Property and equipment	2,550
Prepayments and other receivables	495,720
Receivable against right issue	94,915,858
Investments carried at fair value through profit or loss	50,600,000
Bank balances and cash	<u>44,510,261</u>
	<u>190,524,389</u>
Liabilities	
Accounts payable and accruals	633,456
Amount due to a related party	1,881,977
Short term borrowings	<u>75,987,424</u>
	<u>78,502,857</u>
Total identifiable net assets at fair value	112,021,532
Goodwill (note 7)	<u>3,928,006</u>
Purchase consideration	<u>115,949,538</u>

Analysis of cash flow on acquisition is as follows:

Cash paid	-
Cash acquired with subsidiary (net of bank overdraft)	<u>(5,478,324)</u>
Cash flow on acquisition	<u><u>(5,478,324)</u></u>

The fair values of assets and liabilities of the accounting acquiree were provisional as of 31 December 2016. The fair values of assets and liabilities have been finalised in the current year and no change noted compared to provisional fair values.

Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

6 Business combination (continued)

Purchase consideration was deemed consideration incurred by Al Ramz Capital LLC in the form of equity shares required to be issued to shareholders of Al Ramz Corporation Investment and Development PJSC. This was classified as acquisition reserve in consolidated statement of financial position.

This business combination resulted in goodwill of AED 3,928,006. The goodwill recognised was attributable to expected synergies and was allocated to the Group for impairment testing purpose.

Other information with respect to acquired entity was as follows:

Other income from the date of acquisition	1,383,340
Profit from the date of acquisition	1,897,231
Other income from 1 January to 31 December 2016	1,841,477
Loss from 1 January to 31 December 2016	(143,975)

7 Goodwill

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
Balance at 1 January	24,569,662	20,641,656
Addition (<i>note 6</i>)	<u>-</u>	<u>3,928,006</u>
	<u>24,569,662</u>	<u>24,569,662</u>

Goodwill of AED 20,641,656 represents goodwill arose on acquisition of National Finance Brokerage Company LLC (NFBC), acquired in 2010. NFBC was merged with Al Ramz Capital LLC effective from 2010.

Goodwill is not amortised, but is reviewed annually for assessment of impairment in accordance with IAS 36. The Group performed its annual goodwill impairment test in December 2017. Goodwill of AED 20,641,656 relating to NFBC is allocated to Al Ramz Capital LLC (CGU) and goodwill of AED 3,928,006 acquired through business combination is allocated to the Group (CGU) for impairment testing purpose.

The recoverable amount for CGU is based on value in use, and has been calculated using discounted cashflows approach. As a result of the analysis, there is sufficient headroom in CGU and no impairment has been identified. Reasonable sensitivities have been applied to CGU earnings and the discount rate used and in all cases the value in use continues to exceed the carrying amount of CGU goodwill.

Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

8 Margins, receivables and prepayments

	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Trading receivables (net)	657,152,965	514,761,531
Prepayments and other receivables	<u>8,426,977</u>	<u>3,511,605</u>
	<u>665,579,942</u>	<u>518,273,136</u>

At 31 December 2017, trading receivables at nominal value of AED 5,757,433 (2016: AED 5,757,433) were impaired and fully provided for. At the reporting date, the ageing of trading receivables was as follows:

	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
1 to 2 days	52,254,225	80,320,867
3 to 5 days	17,310,579	18,852,261
6 to 30 days	113,433,234	271,253,392
31 to 90 days	139,076,649	32,203,016
> 90 days	<u>335,078,278</u>	<u>112,131,995</u>
Total	<u>657,152,965</u>	<u>514,761,531</u>

Trading receivables comprise balances due from margin customers which are secured by traded shares and are subject to enforced foreclosure.

9 Guarantee deposits with markets

	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Guarantee deposits with market	<u>35,057,209</u>	<u>32,707,209</u>

Guarantee deposits are held with commercial banks in the UAE as collateral against letters of guarantee issued by the banks (note 19). These are denominated in UAE Dirhams, with an effective profit rate of 1% (2016: 1%) per annum.

Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

10 Investments carried at fair value through profit and loss

These represent equity investments, primarily in listed entities and are held for trading purpose. Movements in the investments carried at fair value through profit or loss are as follows:

	2017	2016
	AED	AED
At 1 January	68,028,601	27,200,965
Additions	176,746,353	62,764,327
Addition relating to acquisition (note 6)	-	50,600,000
Disposals	(140,067,431)	(74,816,347)
Net change in fair value	<u>16,965,937</u>	<u>2,279,656</u>
At 31 December	<u>121,673,460</u>	<u>68,028,601</u>

11 Bank balances and cash

	2017	2016
	AED	AED
Cash in hand	64,590	56,520
Bank balance – current accounts	311,169,100	276,875,001
Bank balance – deposit accounts	<u>31,250,000</u>	<u>25,000,000</u>
	<u>342,483,690</u>	<u>301,931,521</u>

Bank balances are located within the UAE. Bank deposits carry interest at market rates.

Bank balances include balances amounting to AED 46,250,000 (2016: 25,000,000) held as security against bank overdrafts (note 18).

Cash and cash equivalents for the purpose of consolidated statement of cash flows comprise of the following:

	2017	2016
	AED	AED
Cash and bank balances	342,483,690	301,931,521
Bank overdrafts (note 18)	<u>(325,894,054)</u>	<u>(134,434,080)</u>
	<u>16,589,636</u>	<u>167,497,441</u>

Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

12 Due from / Due to Securities Markets

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
<i>Due from Securities Market</i>		
NASDAQ Dubai Limited	1,079,153	4,618,774
Dubai Financial Market	9,376,433	-
Abu Dhabi Securities Exchange	5,075,946	-
	<u>15,531,532</u>	<u>4,618,774</u>
<i>Due to securities markets</i>		
Abu Dhabi Securities Exchange	-	14,405,153
Dubai Financial Market	-	11,975,826
	<u>-</u>	<u>26,380,979</u>

Due from / due to securities markets represent net clearing balance due from / to Abu Dhabi Securities Exchange, Dubai Financial Market and NASDAQ Dubai Limited. This balance is unimpaired and due within 1-2 days of the reporting date.

13 Share capital and acquisition reserve

Share capital

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
Balance at 1 January	549,915,858	150,000,000
Addition	-	399,915,858
	<u>549,915,858</u>	<u>549,915,858</u>

As of 31 December 2017, share capital comprises of 549,915,858 (2016: 549,915,858) authorised, issued and fully paid shares of AED 1 each.

Addition to share capital made in 2016, represents adjustment made to bring the share capital equal to share capital of Al Ramz Corporation Investment and Development PJSC with corresponding debit to acquisition reserve.

	<i>2016</i>
	<i>AED</i>
<i>Acquisition reserve</i>	
Deemed consideration on acquisition (note 6)	115,949,538
Addition to increase share capital	(399,915,858)
	<u>(283,966,320)</u>

During the current year, the Company paid cash dividend of AED 27,495,793 representing dividend of AED 0.05 per share.

The Board of Directors proposed a 5% cash dividend of AED 27,495,793 representing a dividend of AED 0.05 per share in their meeting held on 14 February 2018. The proposed dividend is subject to approval of shareholders in the annual general meeting.

Al Ramz Corporation Investment and Development P.J.S.C.

Notes to the consolidated financial statements

14 Statutory reserve

As required by the UAE Federal Law No. (2) of 2015 and the Company's articles of association, 10% of the Group's profit for the year should be transferred to the statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution.

15 General reserve

Transfers to and from and the use of the general reserve are made at the discretion of the Board of Directors. During the current year, the Group has transferred an amount of AED 3,041,194 (2016: AED 2,839,649) to the general reserve.

16 Employee's end of service benefits

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
<i>Movements during the year</i>		
At 1 January	3,934,697	4,637,649
Charge for the year	1,722,502	458,201
Paid during the year	<u>(876,583)</u>	<u>(1,161,153)</u>
At 31 December	<u>4,780,616</u>	<u>3,934,697</u>

17 Accounts payable and accruals

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
Trading payables	273,516,474	226,404,712
Accrued expenses	25,353,135	23,317,385
Other payables	1,216,961	3,650,640
Unclaimed dividend	<u>341,500</u>	<u>341,500</u>
	<u>300,428,070</u>	<u>253,714,237</u>

Notes to the consolidated financial statements

18 Short term borrowings

Short term borrowings are obtained to finance margin trading operations of the Group.

	2017	2016
	AED	AED
Facility 1	50,000,000	50,000,000
Facility 2	-	10,000,000
Facility 3	16,900,000	25,879,475
Facility 4	26,253,082	-
Bank overdrafts (<i>note 11</i>)	<u>325,894,054</u>	<u>134,434,080</u>
	<u>419,047,136</u>	<u>220,313,555</u>

Facility 1

Facility 1 is a revolving loan facility obtained from a shareholder. The facility is repayable in March 2018. Interest is payable on monthly basis. It carried fixed interest at prevailing market interest rates. The facility is secured against pledge of present and future rights, title, benefit and interest in relation to secured account. Secured account is the account opened by the Group with the lender (*note 11*).

Facility 2

The Group obtained this facility from a key management person. It carried fixed interest at prevailing market interest rates. The term of the agreement is one month renewed automatically. The loan was fully paid during the year.

Facility 3

This represents load obtained from a shareholders. It carries fixed interest at prevailing market rates. The term of the agreement is one month, renewed automatically.

Facility 4

This represents short term facility obtained from a local bank to finance the purchase of shares (investment carried at fair value through profit or loss). This carries interest at market rate and is repayable in bullet payment in April 2018. This facility is secured against investments carried at fair value through profit or loss (*note 10*).

Bank overdrafts

These carry interest at prevailing market rates. Bank overdrafts are secured against promissory note, personal guarantee of a related party, security cheques and bank balances (*note 11*).

Notes to the consolidated financial statements

19 Commitments and contingencies

The Group's bankers have issued in the normal course of business, the following letters of guarantee:

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
Dubai Financial Market	71,000,000	70,000,000
Abu Dhabi Securities Exchange	30,000,000	30,000,000
NASDAQ Dubai Limited	1,000,000	1,000,000
Securities and Commodities Authority	<u>1,000,000</u>	<u>1,000,000</u>
	<u>103,000,000</u>	<u>102,000,000</u>

At 31 December 2017, the guarantees were secured by a cash deposit of AED 30.3 million (2016: AED 30.6 million).

The Group had no capital commitments and contingencies during the year (2016: none).

20 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of comprehensive income are as follows:

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
Commission income	<u>1,567,151</u>	<u>1,245,426</u>
Advisory income	<u>1,830,800</u>	<u>-</u>
Finance costs on short term borrowings from related parties	<u>5,045,045</u>	<u>4,873,922</u>

Balances with related parties included in the consolidated statement of financial position are as follows:

	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
	<i>2017</i>	<i>2016</i>
	<i>AED</i>	<i>AED</i>
Loans from related parties (note 18)	<u>66,900,000</u>	<u>60,000,000</u>
Trade accounts receivable (note 8)	<u>6,668,229</u>	<u>35,712,322</u>
Trade accounts payable (note 17)	<u>4,536,381</u>	<u>2,226,028</u>

Notes to the consolidated financial statements

20 Related party transactions (continued)

Terms and conditions of transactions with related parties

Transactions from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: nil).

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	2017	2016
	AED	AED
Short-term benefits (excluding bonus)	<u>4,147,012</u>	<u>3,945,737</u>
Bonuses	<u>7,370,018</u>	<u>6,934,397</u>
Number of key management personnel	<u>3</u>	<u>2</u>

21 Risk management

The Group's principal financial liabilities consist of trading payables and short term borrowings. The main purpose of the financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trading receivables, bank balances and investments carried at fair value through profit or loss, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The members of management of the Group review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is not exposed to interest rate risk on its interest bearing guarantees with banks and certain short term borrowings which carry fixed interest rate.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in floating interest rates, with all other variables held constant, of the Group's result for the year. There is no impact on the Group's equity.

	2017	2016
	AED	AED
Effect on net profit		
+100 increase in basis point	<u>(1,208,966)</u>	<u>(67,679)</u>
-100 increase in basis point	<u>1,208,966</u>	<u>67,679</u>

Notes to the consolidated financial statements

21 Risk management (continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Five largest customers account for 29% (2016: 37%) of trade accounts receivables. The Group's trading receivables are secured by traded securities that are generally at the loan to value of 50% on sanctioning date. The Group forecloses on exposures near or at the 75% loan to value range.

Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities and adequate cash from operations are available. The Group's terms of brokerage contracts require the amounts to be received and settled in accordance with the settlement terms of the securities market. Outstanding receivables are monitored on a continuous basis.

The table below summarises the maturities of the Group's undiscounted consolidated financial liabilities at 31 December 2017 and 31 December 2016, based on contractual payments.

	<i>Less than 3 months AED</i>	<i>3 to 6 months AED</i>	<i>6 to 12 months AED</i>	<i>Total AED</i>
Year ended 31 December 2017				
Trading payables	273,516,474	-	-	273,516,474
Short term borrowings	79,486,813	152,905,304	195,103,532	427,495,649
Due to securities markets, net	-	-	-	-
Total	<u>353,003,285</u>	<u>152,905,304</u>	<u>195,103,532</u>	<u>701,012,121</u>
Year ended 31 December 2016				
Trading payables	226,404,712	-	-	226,404,712
Short term borrowings	144,484,080	26,270,007	52,500,000	223,254,087
Due to securities markets, net	26,380,979	-	-	26,380,979
Total	<u>397,269,771</u>	<u>26,270,007</u>	<u>52,500,000</u>	<u>476,039,778</u>

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. Capital includes share capital, reserves and retained earnings and is measured at AED 503,311,041 as at 31 December 2017 (2016: AED 469,982,949).

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Notes to the consolidated financial statements

22 Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of receivables, bank balances and cash and investments carried at fair value through profit or loss. Financial liabilities consist of payables, short term borrowings and certain other liabilities.

The fair values of the Group's financial instruments are not materially different from their carrying values at the statement of financial position date. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Quantitative disclosures fair value measurement hierarchy for financial assets measured at fair value as at reporting dates:

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>AED</i>
<i>Investments carried at fair value through profit or loss</i>				
31 December 2017	<u>119,196,460</u>	<u>2,477,000</u>	<u>-</u>	<u>121,673,460</u>
31 December 2016	<u>68,028,601</u>	<u>-</u>	<u>-</u>	<u>68,028,601</u>

During the reporting year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the profit for the period attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of any financial instruments with dilutive effects.

	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
Profit for the period (AED)	60,823,885	58,690,207
Weighted average number of shares	549,915,858	471,228,965
Basic and diluted earnings per share (AED)	<u>0.111</u>	<u>0.125</u>

24 Comparative figures

Certain comparative figures have been reclassified to conform to current year's classification with no impact on profit or retained earnings.