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

Consolidated financial statements

31 December 2018

Principal business address:
P.O. Box 32000
Abu Dhabi
United Arab Emirates

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Consolidated financial statements

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Al Salam Alaikum

On behalf of my fellow members of the Board, I am pleased to present the annual report of Al Ramz Corporation Investment and Development PJSC (the "Group") and to outline the Group's results for the year ended 31 December 2018.

At the outset, we would like to extend our appreciation to Mr. Anthony Mallis, former board member, for his significant contribution towards the development of the Group, particularly in the domains of governance and asset management. We would also like to welcome Mr. Ahmed Ali Khalfan Al Dhaheri to the board; we are confident that his experience will enhance the Group's ability to achieve results and deliver its vision in the coming years.

Internationally, the year 2018 witnessed a decline in the pace of global economic growth due to a slowdown in global production and trade coupled with contracted growth of the Chinese economy. The global financial markets shed about $13 trillion of market capitalization while the MSCI Emerging Markets Index contracted 16.67% and oil declined 19.5% closing at $53.8 a barrel.

At the local and regional fronts, economic and geopolitical challenges continued to cast a shadow over financial markets during 2018 adversely affecting investor sentiment and driving foreign and institutional investments to exit domestic markets. As a result, 2018 results reflected decline in traded values of Abu Dhabi Securities Exchange by 17.57% while Dubai Financial Market recorded a decline in traded values by 48%.

With this backdrop, the Group's trading commissions contracted by AED 17 million during 2018 and a net loss on investment portfolio of AED 23 million was recorded, driven a decline of net profit for the year to AED 3.4 million for 2018. These results are representative of the state of local markets which experienced shortage of liquidity and absence of investor appetite. On the other hand, the Group invested during 2018 in the development of its value proposition in order to diversify revenue streams, strengthen infrastructure and rationalize expenses. We expect these initiatives to improve returns to our shareholders in the coming years.

Whilst challenges are likely to persist in the short term, we believe that the next phase holds many opportunities, especially in view of the improved oil price, increased economic diversity and various government economic initiatives, including the "Ghadan 21", which we believe the Group will be ready to reap.

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

Dhafer Sahmi Al Ahbabi
Chairman of Board of Directors

KPMG

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Independent Auditors' Report

To the Shareholders of Al Ramz Corporation Investment and Development P.J.S.C.

Opinion

We have audited the consolidated financial statements of Al Ramz Corporation Investment and Development P.J.S.C ("the Company") and its subsidiaries ("the Group"), comprising the consolidated statement of financial position as at 31 December 2018, the consolidated statements of 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 2018, 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 *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.

Key audit matters (continued)

Revenue recognition

Refer to notes 5 and 6 to the consolidated financial statements.

Commission income, margin income and corporate finance income are the largest revenue streams within the Group. During the year ended 31 December 2018, the Group recognised AED 77,860 thousand from these revenue streams.

We have identified this as a key audit matter due to the highly material nature of these revenue streams, the highly volume of transactions, and the inherent risk that manual postings can be susceptible to manipulation.

How the matter was addressed in our audit

Our audit procedures included:

- Assessed the revenue recognition accounting policy to be in line with the relevant new accounting standards;
- Tested the design, implementation, and operating effectiveness of key automated and manual controls related to revenue recognition;
- Agreed a sample of transactions to underlying accounting records including the underlying contracts with customers to test whether the related revenues are recorded properly;
- Performed using disaggregated data matching total value of trading with the relevant exchange market report analysis to assess the reasonability of revenue recognised; and
- Made enquiries of trading and marketing personnel for any unusual transactions or similar items.

Valuation of financial instruments

Refer to note 13 to of the consolidated financial statements.

The valuation of the Group's financial instruments was a key area of focus as the fair value of financial instruments is determined through the application of valuation techniques which at some instances can involve the exercise of judgment and the use of assumptions and estimates. Due to the significance of financial instruments and the related uncertainty, this is considered a key audit matter.

How the matter was addressed in our audit

Our audit procedures included:

- Assessed the valuation for the listed securities by testing valuations of listed securities directly with independent pricing sources;
- Assessed whether the consolidated financial statements has appropriate disclosures of fair value; and
- Wherever a quoted market price was not available, we evaluated the appropriateness of the valuation methodologies used, and performed our independent analysis to assess reasonability and fairness.

Key audit matters (continued)

Valuation and impairment of margin and trade receivables

Refer to note 11 to the consolidated financial statements.

The valuation of the Group's trade receivables was a key area of focus as it represents 52% of the Group's total assets. Due to the nature of the Group's business and significance to the consolidated financial statements, this is considered a key audit matter.

The determination of impairment in margin and trade receivables balances requires management to take the appropriate decision on estimating the amounts and timing of future cash flows. This requires management to make assumptions about several factors involving varying degrees of judgment and uncertainty. The Group's management takes into consideration the aging of receivables, future cash flows for each customer and the available collaterals.

How the matter was addressed in our audit

Our audit procedures included:

- Reviewed the underlying calculation that management performed for the implementation of new accounting standard on the valuation of receivables, and evaluated the reasonability of management conclusion;
- Requested margin receivables external confirmations and evaluated responses on a sample basis;
- Analysed the aging of trade receivables; to assess the reasonableness of impairment balances recorded;
- Obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions; and
- Performed alternative procedures wherever applicable.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 were audited by another auditor, who expressed an unmodified opinion on those statements on 14 February 2018.

Other information

Management is responsible for the other information. The other information comprises the Board of Director's report, but does not include the consolidated financial statements and our auditors' report thereon.

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 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 IFRS as their preparation in compliance and in compliance with the applicable provisions of 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 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 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.

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 skepticism 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 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 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 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.

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.

Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- 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;
- the Group has maintained proper books of account;
- the financial information included in the board of director report is so far as it relates to these consolidated financial statements is consistent with the books of account of the Group;
- as disclosed in note 13 to the consolidated financial statements, the Group has purchased and invested in shares during the financial year ended 31 December 2018;
- note 24 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened, during the financial year ended 31 December 2018, 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 in respect of the Company's consolidated financial position as at 31 December 2018.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Abu Dhabi, United Arab Emirates
Date: 14 FEB 2019

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

Consolidated statement of financial position
as at 31 December

	Note	2018 AED'000	2017 AED'000
Assets			
Non-current assets			
Property and equipment	*10*	**23,897**	22,671
Goodwill	*9*	**24,570**	24,570
		48,467	47,241
Current assets			
Margin and trade receivables and prepayments	*11*	**542,028**	665,580
Deposits for markets guarantee	*12*	**30,900**	35,057
Due from securities markets	*15*	**8,725**	15,532
Investments carried at fair value through profit or loss	*13*	**258,623**	121,673
Bank balances and cash	*14*	**141,936**	342,484
		982,212	1,180,326
Total assets		**1,030,679**	1,227,567
Equity and liabilities			
Equity			
Share capital	*16*	**549,916**	549,916
Acquisition reserve	*17*	**(283,966)**	(283,966)
Statutory reserve	*18*	**60,649**	60,314
General reserve	*19*	**19,525**	19,525
Retained earnings		**127,540**	157,522
Total equity		**473,664**	503,311
Non-current liabilities			
Employees' end of service benefits	*20*	**5,434**	4,781
Current liabilities			
Accounts payable and accruals	*21*	**144,751**	300,428
Due to securities markets	*15*	**1,291**	-
Short term borrowings	*22*	**405,539**	419,047
		551,581	719,475
Total liabilities		**557,015**	724,256
Total equity and liabilities		**1,030,679**	1,227,567

Chairman | Managing Director | Chief Operating Officer

The notes set out on pages 12 to 41 are an integral part of these consolidated financial statements.

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

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December

	Note	**2018 AED'000**	2017 AED'000
Commission income	*5*	**15,002**	32,039
Margin income		**44,872**	47,150
Corporate finance and other income	*6*	**38,919**	33,793
Investment (loss) / income, net	*7*	**(22,555)**	18,873
General and administrative expenses	*8*	**(48,407)**	(53,391)
Finance costs		**(24,483)**	(17,640)
Profit for the year		**3,348**	60,824
Other comprehensive income		**-**	-
Total comprehensive income for the year		**3,348**	60,824
Basic and diluted earnings per share (AED)	*27*	**0.006**	0.111

The notes set out on pages 12 to 41 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

	Share Capital AED'000	Acquisition reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2017	549,916	(283,966)	54,232	16,484	133,318	469,984
Total comprehensive income for the year	-	-	-	-	60,824	60,824
Transfer to statutory reserve	-	-	6,082	-	(6,082)	-
Transfer to general reserve	-	-	-	3,041	(3,041)	-
Dividends *(Note 30)*	-	-	-	-	(27,497)	(27,497)
Balance at 31 December 2017	549,916	(283,966)	60,314	19,525	157,522	503,311
Balance at 1 January 2018	**549,916**	**(283,966)**	**60,314**	**19,525**	**157,522**	**503,311**
Total comprehensive income for the year	-	-	-	-	**3,348**	**3,348**
Transfer to statutory reserve	-	-	**335**	-	**(335)**	-
Transfer to general reserve	-	-	-	-	-	-
Dividends *(Note 30)*	-	-	-	-	**(32,995)**	**(32,995)**
Balance at 31 December 2018	**549,916**	**(283,966)**	**60,649**	**19,525**	**127,540**	**473,664**

The notes set out on pages 12 to 41 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

	Note	**2018 AED'000**	2017 AED'000
Cash flows from operating activities			
Profit for the year		**3,348**	60,824
Adjustments for:			
Depreciation		**2,529**	2,810
Provision for employees' end of service benefits		**1,668**	1,723
Interest income		**(1,928)**	(408)
Finance costs		**24,483**	17,116
Unrealised loss / (gain) on investments carried at fair value through profit or loss		**57,962**	(16,966)
Dividends income		**(1,233)**	(2,368)
Gain on disposal of property and equipment		**(94)**	-
		86,735	62,731
Changes in:			
Margins and trade receivables and prepayments		**123,552**	(147,307)
Guarantee deposits with market		**4,157**	(2,350)
Due from/to securities markets		**8,098**	(37,294)
Accounts payable and accruals		**(155,677)**	46,714
Cash from / (used in) operating activities		**66,865**	(77,506)
Employees' end of service benefits paid		**(1,015)**	(877)
Finance costs paid		**(24,483)**	(17,116)
Net cash from / (used in) operating activities		**41,367**	(95,499)
Cash flows from investing activities			
Purchase of property and equipment		**(3,892)**	(1,286)
Proceeds from disposal of property and equipment		**231**	-
Interest income received		**1,928**	410
Dividend income received		**1,233**	2,368
Purchase of investments carried at fair value through profit or loss		**(614,286)**	(176,746)
Proceeds from sale of investments carried at fair value through profit or loss		**419,374**	140,067
Net cash used in investing activities		**(195,412)**	(35,187)
Cash flows from financing activities			
Short term borrowings		**175,819**	18,469
Dividends paid		**(32,995)**	(27,496)
Net cash from / (used in) financing activities		**142,824**	(9,027)
Net decrease in cash and cash equivalents		**(11,221)**	(139,713)
Cash and cash equivalents at the beginning of the year		**27,785**	167,498
Cash and cash equivalents at the end of the year	*14*	**16,564**	27,785

The notes set out on pages 12 to 41 are an integral part of these consolidated financial statements.

1 Legal status and reporting activities

Founded in 1998, Al Ramz Corporation Investment and Development P.J.S.C is a UAE domiciled public joint stock company listed on Dubai Financial Market and regulated by UAE Securities and Commodities Authority as well as the Dubai Financial Services Authority. Al Ramz is a premier financial institution providing a broad spectrum of services including asset management, corporate finance, brokerage, market making, liquidity providing and research.

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, market making and liquidity providing and to perform all related transactions and activities.

The Company's registered office is P.O. Box 32000, Abu Dhabi, United Arab Emirates.

These consolidated financial statements were approved and authorised for issue by the Group's Board of Directors on 14 FEB 2019.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. 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 at the reporting date.

This is the first set of the Group's annual consolidated financial statements in which IFRS 15 revenue from contracts with Customers and IFRS 9 Financial instruments have been applied. Changes to significant accounting policies are described in note 29.

2.1 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 and all values are rounded to the nearest thousand dirhams, except where otherwise indicated.

3 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 comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

3 Basis of consolidation *(continued)*

Subsidiaries are all entities over which the Company has control. 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.

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 profit or loss and other 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:

	Country of incorporation	**31 December 2018 %**	31 December 2017 %
Al Ramz Capital LLC	**UAE**	**99**	99
ARC Real Estate LLC	**UAE**	**99**	99
ARC Investment LLC	**UAE**	**99**	99
ARC Properties LLC	**UAE**	**99**	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.

The Group is operating in a single segment; the brokerage and money markets and in a single geographic are; the United Arab Emirates.

4 Significant accounting policies

4.1 Summary of significant accounting policies

Except for the changes explained in note 29, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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 IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the consolidated income statement.

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.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognised as related service is performed. A contract with a customer that results in a recognised financial instrument in the consolidated financial statement may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

Revenue from services
Revenue from corporate finance 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.

Margin income
Margin 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 which includes capitalised borrowing cost less accumulated depreciation and accumulated impairment loss, 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

Depreciation method, useful lives and residual value is reviewed at each reporting date.

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.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Financial assets and financial liabilities

i. Recognition and initial measurement

Margin receivables and trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets- policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Financial assets and financial liabilities *(continued)*

Financial assets - Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level" because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Financial assets and financial liabilities *(continued)*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets - Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL- held for trading

Financial assets - Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Financial assets and financial liabilities *(continued)*

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost and using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. 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.

Policy after 1 January 2018

Financial instruments and contract assets

The group recognizes loss allowances for ECLs on:
- Margin and trade receivables and prepayment;
- Deposits for markets guarantee;
- Due from securities markets and bank balance

The group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- Debt instrument that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the group's historical experience and informed credit assessment and including forward-looking information.

The group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
The group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Financial assets and financial liabilities *(continued)*

iii. Impairment (continued)

Policy after 1 January 2018 (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the group on terms that the group would not consider other wise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial amortised cost are deducted from the gross carrying amount of the asses. For debt securities FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Financial assets and financial liabilities *(continued)*

***iii. Impairment** (continued)*

Policy before 1 January 2018
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.

iv. Derecognition

Financial assets

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

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

v. 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 set off the amounts and it intends either to settle them on a 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 three months or less, net of outstanding bank overdrafts.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

Financial assets and financial liabilities *(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 profit or loss and other 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.

4.2 Significant accounting judgements, estimate 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 and trade receivables
An estimate of the collectible amount of margin trading receivables is made based on the cumulative effect method. This estimation is performed on an individual basis.

4. Significant accounting policies *(continued)*

4.2 Significant accounting judgements, estimate and assumptions (continued)

At the consolidated statement of financial position date, gross margin and trading receivables were AED 422,700 thousand *(2017: AED 643,560 thousand)* and AED 116,341 thousand (2017: 22,300 thousand respectively) and the allowance for doubtful debts was AED 3,458 thousand *(2017: AED 5,757 thousand)*. 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 profit or loss and other 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 9 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.

Significant judgements

Reverse acquisition
Key judgments 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 115,950 thousand.

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 judgment. 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 thousand is allocated to Group for impairment testing purpose, as management expects synergies to benefit the Group as a whole.

4. Significant accounting policies *(continued)*

4.3 New currently effective requirements

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 2018.

- IFRS 15, 'Revenue from contracts with customers'; and
- IFRS 9 Financial Instruments; and
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12).

The impact of adopting IFRS 9 and IFRS 15 on the Group's consolidated financial position and performance is further explained in note 29 to the consolidated financial statement. The adoption of the other standards and interpretations above had no significant impact on the Group's consolidated financial position or performance.

4.4 Standards issued but not yet effective

IFRS 16 is effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted it in preparing these consolidated financial statements.

5 Commission income

	2018	2017
	AED'000	AED'000
Abu Dhabi Exchange Market	**4,768**	8,169
Dubai Financial Market	**10,082**	22,761
NASDAQ	**123**	385
Over the Counter	**29**	724
	15,002	32,039

a. Disaggregation of commission income

In the following table, commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated commission income with the Group's reportable segments:

	2018	2017
	AED'000	AED'000
Major service lines		
Brokerage – Primary markets	**14,973**	31,315
Brokerage – Over the counter	**29**	724
Total commission income from contract with customers	**15,002**	32,039

The commission income presented in the note includes income relating to financial assets and liabilities not measured at fair value through profit or loss. These figures exclude amounts incorporated in determining the effective interest rate on such financial reporting.

b. Contract balances

As at 31 December 2018, the Group did not have any contract assets or liabilities related to brokerage services provided.

6 Corporate finance and other income

	2018 AED'000	2017 AED'000
Corporate finance income	**17,986**	25,809
Management and performance fees	**3,789**	5,816
Interest income	**1,928**	408
Liquidity providing fees	**2,948**	300
Other income	**9,969**	1,460
Net reversal of allowance for doubtful debt	**2,299**	-
	38,919	33,793

a. Disaggregation of corporate finance income, management and performance fees and liquidity providing fees

In the following table, corporate finance income, management and performance fees, and liquidity providing fees from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated these revenue streams with the Group's reportable segments:

	2018 AED'000	2017 AED'000
Major service lines		
Transaction, financing and restructuring services	**17,986**	25,809
Management and performance fees on assets under management	**3,789**	5,816
Fees from market making and liquidity providing	**2,948**	300
Total income from contract with customers	**24,723**	31,925

Corporate finance income include income earned by the Group on services including transaction, financing and restructuring services

Assets management fees include fees earned by the Group on trust and fiduciary activities in which the Group holds or invests assets on behalf of its customers.

b. contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	2018 AED'000	2017 AED'000
Receivables which are included in 'Trade receivables'	**27,335**	8,665
Contract liabilities, which are included in 'Trade payables'	**5,000**	-

7 Investment income, net

	2018 AED'000	2017 AED'000
Unrealised (loss) / gain on investments carried at fair value through profit of loss	**(57,962)**	16,966
Realised gain on investments carried at fair value through profit or loss	**36,027**	(295)
Dividend income	**1,233**	2,368
Custody and service fees	**(1,853)**	(166)
	(22,555)	18,873

8 General and administrative expenses

	2018 AED'000	2017 AED'000
Staff costs	**32,425**	39,591
Subscription and membership	**3,352**	3,240
Depreciation	**2,529**	2,810
Legal expenses	**1,644**	597
Advertisements and marketing	**1,393**	1,758
IT expenses	**982**	1,250
Rent expense	**865**	976
Communication expense	**739**	861
Other expenses	**4,478**	2,308
	48,407	53,391

9 Goodwill

Goodwill of AED 20,642 thousand represents goodwill that arose on acquisition of National Finance Brokerage Company LLC (NFBC), acquired in 2010. NFBC was merged with Al Ramz Capital LLC effective from 2010 while goodwill of AED 3,928 thousand acquired through business combination is allocated to the Group (CGU) for impairment testing purpose.

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 2018.

The recoverable amount for CGU is based on value in use and has been calculated using discounted cash flows approach. The fair value measurement was categorised as a level 3 fair value based on the inputs in the valuation technique used.
Key assumptions used in the estimation of the recoverable amount are set out below.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	Percentage
Discount rate	10.61
Terminal value growth rate	3.7
Yearly revenue growth rate	10

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long term compound annual EBITA growth rate. 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.

10 Property and equipment

	Office premises AED'000	*Office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Work in progress AED'000*	*Total AED'000*
Cost						
At 1 January 2018	22,172	17,077	1,243	11,265	-	51,757
Additions	-	1,311	-	20	2,561	3,892
Disposals	-	-	(340)	(10)	-	(350)
At 31 December 2018	**22,172**	**18,388**	**903**	**11,275**	**2,561**	**55,299**
Accumulated depreciation						
At 1 January 2018	3,294	15,103	895	9,794	-	29,086
Charge for the year	739	936	114	740	-	2,529
Disposals	-	-	(213)	-	-	(213)
At 31 December 2018	**4,033**	**16,039**	**796**	**10,534**	**-**	**31,402**
Cost						
At 1 January 2017	22,172	16,172	1,169	10,958	-	50,471
Additions	-	905	74	307	-	1,286
At 31 December 2017	22,172	17,077	1,243	11,265	-	51,757
Accumulated depreciation						
At 1 January 2017	2,555	14,061	637	9,023	-	26,276
Charge for the year	739	1,042	257	772	-	2,810
At 31 December 2017	3,294	15,103	894	9,795	-	29,086
Carrying amounts						
At 31 December 2018	**18,139**	**2,349**	**107**	**741**	**2,561**	**23,897**
At 31 December 2017	18,878	1,974	349	1,470	-	22,671

11 Margin and trade receivables and prepayments

	2018 AED'000	2017 AED'000
Margin receivables	**422,700**	643,560
Trade receivables, net	**112,883**	16,543
Prepayments and other receivables	**6,445**	5,477
	542,028	665,580

	2018 AED'000	2017 AED'000
Trade receivables	**116,341**	22,300
Allowance for doubtful receivables	**(3,458)**	(5,757)
Trade receivables, net	**112,883**	16,543

Allowance for doubtful receivables movement for the year ended 31 December 2018:

	2018 AED'000	2017 AED'000
Opening balance	**5,757**	5,757
Provided during the year	**1,422**	-
Reversed during the year	**(3,721)**	-
Ending balance	**3,458**	5,757

The Group is licensed to provide finance to its clients as a percentage of the market value of pledged securities. The Group charges interest / profit on amounts due.

Customers are required to provide additional cash or securities if the price of pledged securities decreases against the minimum eligibility of 135% *(2017:125%)*. If minimum eligibility of a customer is breached, the Group will commence liquidation of pledged securities. The fair value of pledged securities held as collateral against margin receivables amounted to AED 1,761,007 thousand as at 31 December 2018 *(31 December 2017: AED 1,849,153 thousand).*

There are no significant changes to the overall commitments to extend margins during the year. Such commitments are revocable in nature.

At 31 December 2018, the Company had certain exposures against which an allowance amounting to AED 3,458 thousand *(31 December 2017: AED 5,757 thousand)* was held.

12 Deposits for markets guarantee

Guarantee deposits are held with commercial banks in the UAE as collateral against letters of guarantee issued by the banks *(note 23)*. These are denominated in UAE Dirhams, with an effective interest rate of 3% *(2017: 1%)* per annum.

13 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:

	2018 **AED'000**	2017 AED'000
At 1 January	**121,673**	68,028
Additions during the year	**614,286**	176,746
Disposals during the year	**(419,374)**	(140,067)
Unrealised (loss) / gain	**(57,962)**	16,966
	258,623	121,673

14 Bank balances and cash

	2018 **AED'000**	2017 AED'000
Cash in hand	**139**	65
Bank balance – current accounts	**109,574**	311,169
Bank balance – deposit accounts	**32,223**	31,250
	141,936	342,484

Bank balances are placed with local banks in the United Arab Emirates. Bank deposits carry interest at prevailing market rates.

Bank balances include balances amounting to AED 30,900 *(2017: 30,300 thousand)* held as security against bank guarantees *(note 23).*

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

	2018 **AED'000**	2017 AED'000
Cash and bank balances	**141,936**	342,484
Bank overdrafts *(note 22)*	**(125,372)**	(314,699)
	16,564	27,785

15 Due from / Due to securities markets

	2018 AED'000	2017 AED'000
Due from securities		
NASDAQ Dubai Limited	-	1,079
Dubai Financial Market	**8,719**	9,377
Abu Dhabi Securities Exchange	**6**	5,076
	8,725	15,532
Due to securities markets		
Abu Dhabi Securities Exchange	**1,291**	-
Dubai Financial Market	-	-
	1,291	-

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.

16 Share capital

	2018 AED'000	2017 AED'000
Authorised, issued and fully paid share capital:		
549,915,858 shares of AED 1 each	**549,916**	549,916

17 Acquisition reserve

An addition was made to share capital of AED 399,916 thousands in 2016, which represents an 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 bringing the acquisition reserve to a total debit balance of AED 283,966 thousands.

18 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.

19 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 not transferred any amount to the general reserve.

20 Employee's end of service benefits

	2018 AED'000	2017 AED'000
Movements during the year		
At 1 January	**4,781**	3,935
Charge for the year	**1,668**	1,723
Paid during the year	**(1,015)**	(877)
At 31 December	**5,434**	4,781

21 Accounts payable and accruals

	2018 AED'000	2017 AED'000
Trade payables	**129,600**	273,516
Accrued expenses	**5,153**	25,353
Other payables	**9,998**	1,217
Dividends payable	**-**	342
	144,751	300,428

22 Short term borrowings

	2018 AED'000	2017 AED'000
Facility 1	**-**	50,000
Facility 2	**16,900**	16,900
Facility 3	**56,979**	26,253
Facility 4	**56,593**	11,195
Facility 5	**51,281**	-
Facility 6	**33,448**	-
Facility 7	**39,182**	-
Facility 8	**14,337**	-
Facility 9	**11,447**	-
Bank overdrafts	**125,372**	314,699
	405,539	419,047

Facility 1
This represents a revolving loan facility previously obtained from a shareholder, and has been settled in full in April 2018.

Facility 2
This represents loan obtained from a shareholder. It carries a fixed interest rate. The term of the agreement is one month, renewed automatically.

22 Short term borrowings *(continued)*

Facility 3 and 5
These represent short term facilities obtained from local banks to finance the purchase of investments at fair value through profit or loss and are secured by these investments. They carry interest at market rate and are repayable within 12 months from the reporting date.

Facility 4
This represents short term facility obtained from a local bank to finance the purchase of investments at fair value through profit or loss and is secured by these investments. It carries interest at market rate and is repayable within 12 months from the reporting date.

Facility 6
This represents a short-term facility obtained from a branch of a foreign bank to finance the margin lending activities. The facility carries interest at prevailing market rates.

Facility 7
This represents a Wakala Agreement obtained from a financing institution to finance the purchase of investments at fair value through profit or loss and is secured by these investments. It carries profit at market rate and is repayable within 5 months from the reporting date.

Facility 8
This represents loan obtained from a shareholder. It carries fixed interest rate. The term of the agreement is one month, renewed automatically.

Facility 9
This represents loan obtained to finance a short-term transaction. It carries fixed interest rate. The term of the agreement is three months, renewed automatically.

Bank overdrafts
These carry interest at prevailing market rates. Bank overdrafts are secured against bank balances.

23 Commitments and contingencies

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

	2018 AED'000	2017 AED'000
Dubai Financial Market	**75,000**	71,000
Abu Dhabi securities exchange	**35,000**	30,000
NASDAQ Dubai Limited	**1,000**	1,000
Securities and Commodities Authority	**9,000**	1,000
	120,000	103,000

At 31 December 2018, the guarantees were secured by a cash deposit of AED 30,900 thousand *(2017: AED 30,300 thousand).*

The Group had no capital commitments and contingencies during the year *(2017: none).*

24 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 board.

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

	2018 AED'000	2017 AED'000
Loans from related parties	**31,237**	66,900
Trade accounts receivable	**6,272**	6,668
Trade accounts payable	**157**	4,536

Transactions with related parties included in the Consolidated statement of profit or loss and other comprehensive income are as follows:

	2018 AED'000	2017 AED'000
Commission income	**312**	451
Commission expense	**-**	266
Corporate finance income	**-**	1,831
Margin income	**248**	793
Finance costs	**2,069**	5,045
Performance and management fees	**87**	-

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 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties *(2017: nil).*

Compensation of key management personnel

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

	2018 AED'000	2017 AED'000
Short-term benefits (excluding bonus)	**5,067**	4,147
Bonuses	**827**	7,370
Number of key management personnel	**3**	3

25 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, credit risk and equity prices 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 profit or loss and other 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.

	2018	2017
	AED'000	AED'000
Effect on net profit		
+100 increase in basis point	**1,300**	1,209
-100 increase in basis point	**(1,300)**	(1,209)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivable from customers and investment in debt securities.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations as of 31 December in relation to each class of recognized financial assets is the carrying amount of those assets as indicated below:

	2018	2017
	AED '000	AED '000
Assets		
Balances with banks	**141,797**	342,419
Margin and trade receivables	**535,583**	660,103
	677,380	1,002,522

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 35% (2017: 29%) 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.

25 Risk management *(continued)*

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 2018 and 31 December 2017, based on contractual payments.

	Less than 3 months AED'000	*3 to 6 Months AED'000*	*6 to 12 months AED'000*	*Total AED'000*
31 December 2018				
Trade payables	**139,598**	**-**	**-**	**139,598**
Short term borrowings	**98,413**	**181,753**	**125,373**	**405,539**
Due to securities markets, net	**1,291**	**-**	**-**	**1,291**
Total	**239,302**	**181,753**	**125,373**	**546,428**
31 December 2017				
Trading payables	275,075	-	-	275,075
Short term borrowings	77,461	217,086	124,500	419,047
Total	352,536	217,086	124,500	694,122

Equity price risk

The Group is exposed to equity price risk, which arises from equity securities at FVTPL. Management of the group monitors the proportion of equity securities in its investment portfolio based on market indices. Investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by senior management and board of directors in accordance with their respective approved limits.

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 2018 and 31 December 2017. Capital includes share capital, reserves and retained earnings and is measured at AED 470,316 thousand as at 31 December 2018 *(2017: AED 503,311 thousand).*

26 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.

Significant portion of FVTPL as at 31 December 2018, are fair valued using quoted market prices (level 1). The basis for classifying other FVTPL investments under level 2 are disclosed above.

27 Basic and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the year 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 year 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.

	2018	2017
Profit attributable to the year (AED'000)	**3,348**	60,824
Weighted average number of shares	**549,915,858**	549,915,858
Basic and diluted earnings per share (AED)	**0.006**	0.111

28 Fiduciary activities

The Group held assets under management net of cash margins in a fiduciary capacity for its customers at 31 December 2018 amounting to AED 274,952 thousand *(31 December 2017: AED 240,558 thousand)*. These assets held in a fiduciary capacity are excluded from these consolidated financial statements of the Group.

29 Changes in significant accounting policies

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017

The changes in accounting policies are also reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

IFRS 9 Financial Instruments
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

(a) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

29 Changes in significant accounting policies *(continued)*

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement of financial assets and financial liabilities (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018 are as follows:

	Original classification Under IAS 39	**New classification under IFRS 9**
Equity investments	Held-for-trading	FVTPL
Margins trading receivables	Loans and receivables	Amortised cost
Deposits for markets guarantee	Loans and receivables	Amortised cost
Due from securities markets	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of margins trading receivables, deposits for markets guarantee , due from securities markets and cash and cash equivalents.

Under IFRS 9, loss allowances are 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.

29 Changes in significant accounting policies *(continued)*

IFRS 9 Financial Instruments (continued)

(b) Impairment of financial assets (continued)

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. However, the Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018, does not result in additional impairment allowance as the Group holds sufficient collaterals against margin trading receivables. The Group holds enforceable rights to liquidate these collaterals in case of deterioration in value.

(c) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method. The Group has taken an exemption not to restate comparative information of prior periods.

Any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 would have been recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but those of IAS 39.

The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application.

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.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Based on management assessment, the application of IFRS 15 does not have a significant impact on the consolidated financial statements.

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 4. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

Based on the IFRS 15 impact assessment, there are no significant impact on the opening retained earnings, statement of financial position and statement of comprehensive income.

Commission income: Under IAS 18, commission revenue was recognised upon the processing of trading activity. Under IFRS 15, the revenue is recognised at a point in time. The adoption of the new IFRS 15 has no significant impact on the financials.

Margin income: Under IAS 18, the interest was earned on a time proportion basis that takes into account the effective yield. Under IFRS 15, the interest is recognised in the same manner over a period of time. The adoption of the new IFRS 15 has no significant impact on the financials.

Corporate finance income: Under IAS 18, the corporate finance income was accounted for upon the delivery of the service. Under IFRS 15, the non-refundable advances on corporate finance services are recognised once received, and the remaining revenue is accounted for once the service is provided. The adoption of the new IFRS 15 has no significant impact on the financials.

29 Changes in significant accounting policies *(continued)*

***IFRS 15 Revenue from contracts with customers** (continued)*

IFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue stream.

Performance obligations and revenue recognition

Income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	***Nature and timing of satisfaction of performance obligations, including significant payment terms***	***Revenue recognition under IFRS 15 (applicable from 1 January 2018)***
Brokerage service	Transactions-based fees for buying and selling of securities. The fees are charged to the customer's account when the transaction takes place	Revenue from account service and servicing fees is recognised at the time.
Corporate finance service	The Group's investment management provides various related services.	Revenue from corporate finance services is recognised over time
Assets management services	The Group provides asset management services. Fees for assets management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.	Revenue from assets under management service is recognised over time as the services are provided. Non-refundable up-front fees give rise to material rights for future services and are recognised as revenue over the period for which a customer is expected to continue receiving assets management services.

30 Dividends

In their Annual General Meeting (AGM) held on 19 March 2018, the Shareholders of the Company have resolved to distribute an amount of AED 32,995 thousand as dividends for the year ended 31 December 2017 (2016: AED 27,497 thousand).

31 Comparative figures

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

32 Other disclosures

As at 31 December 2018, the Group has no exposure to Abraaj Holdings, or any of its subsidiaries, or any of its funds.