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

Consolidated financial statements

31 December 2019

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

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Consolidated financial statements

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ALRAMZ
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Al Salam Alaikum,

On behalf of my colleagues and members of the Board of Directors, I am pleased to present to you the annual report of Al Ramz Corporation Investment and Development (the "Group") and to review the results achieved by the Group during 2019.

Internationally, the year 2019 was marked by a sharp fluctuation in the global financial markets due to fears of the trade war between the trading poles of the United States of America and China. The US Federal Reserve cut interest rates three times, trying to allay investor fears in financial markets and support economic indicators. The MSCI index of global markets during 2019 went up by 25.19%, and the MSCI index of emerging markets during 2019 rose by 15.43%. As for oil prices, they witnessed fluctuations due to geopolitical circumstances. In 2019 it closed at $ 66 a barrel, up 22.68%, primarily due to escalated tensions in the Arab Gulf region, which is one of the primary sources of global oil supply.

On the local and regional levels, the challenges continued on several economic and geopolitical levels by casting shadows on the local and regional markets during the past year, which affected investor sentiment and drove foreign and institutional investments to reduce their overall exposure to the local markets. Accordingly, the results of the year 2019 showed a decline in the value of trading in the Dubai Financial Market by 11.06%. While the value of trading in the Abu Dhabi Stock Exchange increased by 43.33%, supported by an increase in the weights of some listed companies such as First Abu Dhabi Bank and Abu Dhabi Commercial Bank in global market indices, specifically the MSCI and FTSE Indices for Emerging Markets.

In light of these challenges, the company was able to achieve a net revenue of 62 million dirhams and reduce operating expenses by about 7 million dirhams, but a net loss was recorded in the investment portfolio by 16.7 million dirhams, which caused the net profit to decline to 4.1 million dirhams for the year 2019. Such results reflect the continuing state of tight liquidity and investors' reluctance in the financial markets.

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Under such conditions, the Group worked on developing its strategy to adapt with the changing investment environment, in terms of developing its products to diversify income revenues, expansion to new markets, develop the IT infrastructure in line with the prevailing technology boom around the world, in addition to optimizing operational efficiency which already impacted the financial statements. These initiatives are expected to reflect positively on returns to our shareholders in the near future.

The financial statements disclose related parties transactions and balances in note 25. All transactions were carried out as part of the Group's normal course of business and in compliance with applicable laws and regulations.

It is worth noting that the group launched the Sky One Fund, which is the sole UAE dirham money market fund, which aims to invest savings in high-quality liquid assets across a variety of institutions. The group will continue to launch new products that will attract investors.

We hope that the next phase will hold some incentives that will contribute to improving the investment environment, especially the upcoming event for this year, Expo 2020, which is expected to attract 25 million visitors and create job opportunities.

Finally, we extend our appreciation and gratitude to His Highness Sheikh Khalifa bin Zayed bin Sultan Al Nahyan, President of the United Arab Emirates, the Supreme Commander of the Armed Force and to His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and ruler of Dubai, His Highness Sheikh Mohammed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and Deputy Supreme Commander of the Armed Forces and the members of the Supreme Council of Rulers of the UAE. Praying to Allah to keep our leaders and UAE safe, secure and successful.

Dhafer Sahmi Al Ahbabi
Chairman of Board of Directors

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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Ramz Corporation Investment and Development P.J.S.C ("the Company") and its subsidiaries ("the Group"), comprising the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with 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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 6 and 7 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 2019, the Group recognised AED 62,704 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 accounting standards;
- Tested the design, implementation, and operating effectiveness of key 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 and impairment of margin and trade receivables

Refer to note 12 to the consolidated financial statements.

The valuation of the Group's margin and trade receivables was a key area of focus as it represents 49% 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.

Key audit matters (continued)

Valuation and impairment of margin and trade receivables *(continued)*

How the matter was addressed in our audit

Our audit procedures included:

- Reviewed the underlying calculation that management performed on the valuation of receivables, and evaluated the reasonability of management conclusion;
- Requested margin receivables external confirmations on a sample basis, and evaluated responses;
- 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 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.

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 the consolidated financial statements in accordance with IFRS and their preparation 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.

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- 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.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 auditors' 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:

i. we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii. the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii. the Group has maintained proper books of account;

iv. the financial information included in the Board of Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v. as disclosed in note 14 to the consolidated financial statements, the Group has purchased and invested in shares during the financial year ended 31 December 2019;

vi. note 25 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No.: 968
Abu Dhabi, United Arab Emirates
Date: 19 February 2020

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	**2019 AED'000**	2018 AED'000
Net commission income	*6*	**13,264**	15,002
Finance income from margin receivables		**40,710**	44,872
Finance income from deposits		**2,675**	1,928
Finance cost		**(8,731)**	(18,047)
Net finance income		**34,654**	28,753
Corporate finance, advisory and other income	*7*	**14,336**	36,991
Investment loss, net	*8*	**(16,723)**	(28,991)
General and administrative expenses	*9*	**(41,456)**	(48,407)
Profit for the year		**4,075**	3,348
Other comprehensive income		**-**	-
Total comprehensive income for the year		**4,075**	3,348
Basic and diluted earnings per share (AED)	*28*	**0.007**	0.006

The notes number 1 to 33 form an integral part of these consolidated financial statements

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

Consolidated statement of financial position
as at 31 December

	Note	**2019 AED'000**	2018 AED'000
Assets			
Non-current assets			
Property and equipment	*11*	**27,147**	23,897
Goodwill	*10*	**24,570**	24,570
Investment property		**1,220**	1,240
		52,937	49,707
Current assets			
Margin and trade receivables	*12*	**472,439**	535,583
Other assets		**5,195**	5,205
Guarantee deposits	*13*	**31,064**	30,900
Due from securities markets	*16*	**623**	8,725
Investments at fair value through profit or loss	*14*	**206,379**	258,623
Bank balances and cash	*15*	**186,727**	141,936
		902,427	980,972
Total assets		**955,364**	1,030,679
Equity and liabilities			
Equity			
Share capital	*17*	**549,916**	549,916
Acquisition reserve	*18*	**(283,966)**	(283,966)
Statutory reserve	*19*	**61,057**	60,649
General reserve	*20*	**19,525**	19,525
Retained earnings		**131,207**	127,540
Total equity		**477,739**	473,664
Non-current liabilities			
Employees' end of service benefits	*21*	**5,059**	5,434
Current liabilities			
Accounts payable and accruals	*22*	**153,528**	144,751
Due to securities markets	*16*	**2,559**	1,291
Short term borrowings	*23*	**316,479**	405,539
		472,566	551,581
Total liabilities		**477,625**	557,015
Total equity and liabilities		**955,364**	1,030,679

To the best of our knowledge, the consolidated financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Group as of and for the periods presented in the therein.

Chairman

Managing Director

Chief Operating Officer

The notes number 1 to 33 form 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 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)	-
Dividends *(Note 32)*	-	-	-	-	(32,995)	(32,995)
Balance at 31 December 2018	549,916	(283,966)	60,649	19,525	127,540	473,664
Balance at 1 January 2019	**549,916**	**(283,966)**	**60,649**	**19,525**	**127,540**	**473,664**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**4,075**	**4,075**
Transfer to statutory reserve	**-**	**-**	**408**	**-**	**(408)**	**-**
Balance at 31 December 2019	**549,916**	**(283,966)**	**61,057**	**19,525**	**131,207**	**477,739**

The notes number 1 to 33 form 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	2019 AED'000	2018 AED'000
Cash flows from operating activities			
Profit for the year		**4,075**	3,348
Adjustments for:			
Depreciation		**2,352**	2,529
Provision for employees' end of service benefits		**1,061**	1,668
Finance income from deposits		**(2,675)**	(1,928)
Finance costs		**16,511**	24,483
Unrealised loss on investments at fair value through profit or loss		**18,402**	57,962
Net impairment loss on investment property		**20**	-
Dividends income		**(7,562)**	(1,233)
Allowance for doubtful debts		**(566)**	(2,299)
Gain on disposal of property and equipment		**(19)**	(94)
		31,599	84,436
Changes in:			
Margins and trade receivables		**63,710**	126,819
Other assets		**10**	(968)
Guarantee deposits		**(164)**	4,157
Due from securities markets		**8,102**	6,807
Due to securities markets		**1,268**	1,291
Accounts payable and accruals		**8,777**	(155,677)
Cash from operating activities		**113,302**	66,865
Employees' end of service benefits paid		**(1,436)**	(1,015)
Finance costs paid		**(16,511)**	(24,483)
Net cash from operating activities		**95,355**	41,367
Cash flows from investing activities			
Purchase of property and equipment		**(5,632)**	(3,892)
Proceeds from disposal of property and equipment		**49**	231
Interest income received		**2,675**	1,928
Dividend income received		**7,562**	1,233
Purchase of investments at fair value through profit or loss		**(230,119)**	(614,286)
Proceeds from sale of investments at fair value through profit or loss		**263,961**	419,374
Net cash from / (used in) investing activities		**38,496**	(195,412)
Cash flows from financing activities			
Loan settlements		**(115,609)**	(85,729)
Proceeds from borrowings		**26,975**	261,548
Dividends paid		**-**	(32,995)
Net cash (used in) / from financing activities		**(88,634)**	142,824
Net increase / (decrease) in cash and cash equivalents		**45,217**	(11,221)
Cash and cash equivalents at the beginning of the year		**16,564**	27,785
Cash and cash equivalents at the end of the year	*15*	**61,781**	16,564

The notes number 1 to 33 form 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 (the "Company") 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, lending, 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, Dubai, United Arab Emirates.

These consolidated financial statements were approved and authorised for issue by the Group's Board of Directors on 19 February 2020.

2. Basis of accounting

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the applicable provisions of UAE Federal Law No. (2) of 2015.

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

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 30.

3. Functional and presentation currency

These consolidated financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and all values are rounded to the nearest thousand dirhams, except where otherwise indicated.

4. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 30).

A. Basis of consolidation

i. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group . The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note 10). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

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.

ii. Subsidiaries

Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

4. Significant accounting policies *(continued)*

A. Basis of consolidation *(continued)*

ii. Subsidiaries *(continued)*

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

	Country of incorporation	**31 December 2019 %**	31 December 2018 %
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 financial position and performance of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

Investment funds

The Group acts as fund manager to an investment fund. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager.

For that fund that is managed by the Group, the investors are able to vote by simple majority to remove the Group as fund manager without cause, and the Group's aggregate economic interest is in the fund is less than 15%. As a result, the Group has concluded that it acts as agent for the investors, and therefore has not consolidated this fund.

For further disclosure in respect of unconsolidated investment funds in which the Group has an interest or for which it is a sponsor, see Note 31.

4. Significant accounting policies *(continued)*

A. Basis of consolidation *(continued)*

iii. Non-controlling interests

The subsidiaries listed in (note 3,A, ii) 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.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. 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, market making, liquidity providing and research services is recognised when services under the contract are performed.

Dividend income
Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net income from financial instruments at FVTPL.

Margin income
Margin income from margin trading receivables is recognised in the statement of profit or loss 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.

4. Significant accounting policies *(continued)*

C. Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset or financial liability.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

Presentation
Finance income from margin receivables presented in the statement of profit or loss and OCI includes interest income on margin receivables.

Finance income from deposits presented in the statement of profit or loss and OCI includes interest income on deposits with local banks.

Finance cost presented in the statement of profit or loss includes financial liabilities measured at amortised cost; which represents mainly loans granted from banks see note 23.

4. Significant accounting policies *(continued)*

D. 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 profit or loss.

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.

E. Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss within other income. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

F. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
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.

4. Significant accounting policies *(continued)*

F. Goodwill *(continued)*

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.

G. 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 instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which 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 - Business model assessment
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.

4. Significant accounting policies *(continued)*

G. Financial assets and financial liabilities *(continued)*

ii Classification and subsequent measurement *(continued)*

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

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).

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.

4. Significant accounting policies *(continued)*

G. Financial assets and financial liabilities *(continued)*

ii. Classification and subsequent measurement *(continued)*

Financial assets - Subsequent measurement and gains and losses

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 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.

Financial instruments and contract assets

The group recognizes loss allowances for ECLs on:
- Margin and trade receivables;
- 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.

4. Significant accounting policies *(continued)*

4.1 Summary of significant accounting policies (continued)

G. Financial assets and financial liabilities *(continued)*

iii Impairment (continued)

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.

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.

4. Significant accounting policies *(continued)*

G. Financial assets and financial liabilities *(continued)*

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

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.

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.

4. Significant accounting policies *(continued)*

G. Financial assets and financial liabilities *(continued)*

iv. Derecognition *(continued)*

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.

H. 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.

I. 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.

J. 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.

4. Significant accounting policies *(continued)*

K. 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.

L. 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.

M. New currently effective requirements

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

– Amendments to References to Conceptual Framework in IFRS Standards.
– Definition of a Business (Amendments to IFRS 3).

5. 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 2019 are discussed below:

Impairment of margin and trade receivables
An estimate of the collectible amount of margin trading receivables is made on an individual basis.
At the consolidated statement of financial position date, gross margin and trading receivables were AED 328,848 thousand *(2018: AED 422,700 thousand)* and AED 146,483 thousand (2018: 116,341 thousand) respectively. The allowance for doubtful debts was AED 2,892 thousand *(2018: AED 3,458 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 10 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.

5. Significant accounting judgements, estimate and assumptions *(continued)*

Significant judgements *(continued)*

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.

6. Net commission income

	2019 **AED'000**	2018 AED'000
Abu Dhabi Exchange Market	**5,892**	4,975
Dubai Financial Market	**7,548**	10,388
NASDAQ	**96**	123
Over the Counter & others	**34**	29
Rebate and discount	**(306)**	(513)
	13,264	15,002

a. Disaggregation of net 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 net commission income with the Group's reportable segments:

	2019 **AED'000**	2018 AED'000
Major service lines		
Brokerage – Primary markets	**13,230**	14,973
Brokerage – Over the counter & others	**34**	29
Total net commission income from contracts with customers	**13,264**	15,002

b. Contract balances

As at 31 December 2019, the Group did not have any contract assets or liabilities related to brokerage services provided.

7. Corporate finance, advisory and other income

	2019 AED'000	2018 AED'000
Corporate finance income	**8,730**	17,986
Management and performance fees	**2,112**	3,789
Liquidity providing fees	**1,816**	2,948
Other income	**1,112**	9,969
Allowance for doubtful debt (net)	**566**	2,299
	14,336	36,991

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

In the following table, corporate finance and advisory 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:

	2019 AED'000	2018 AED'000
Major service lines		
Transaction, advisory and restructuring services	**8,730**	17,986
Management and performance fees on assets under management	**2,112**	3,789
Fees from liquidity providing	**1,816**	2,948
Total income from contract with customers	**12,658**	24,723

Corporate finance income include income earned by the Group on services including transaction, advisory 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.

	2019 AED'000	2018 AED'000
Trade Receivables which are included in 'Trade receivables'	**17,858**	27,335
Contract liabilities, which are included in 'Trade payables'	**5,000**	5,000

8. Investment loss, net

	2019 AED'000	2018 AED'000
Unrealised (loss) on investments at fair value through profit of loss	**(18,402)**	(57,962)
Realised gain on investments at fair value through profit or loss	**2,508**	36,027
Dividend income	**7,562**	1,233
Custody and service fees	**(611)**	(1,853)
Finance costs	**(7,780)**	(6,436)
	(16,723)	(28,991)

9. General and administrative expenses

	2019 AED'000	2018 AED'000
Staff costs	**28,631**	32,425
Subscription and membership	**2,989**	3,352
Depreciation	**2,352**	2,529
IT expenses	**1,209**	982
Advertisements and marketing	**1,171**	1,393
Legal expenses	**700**	1,644
Communication expense	**515**	739
Rent expense	**372**	865
Other expenses	**3,517**	4,478
	41,456	48,407

10. 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 as at 31 December 2019.

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	9.42
Terminal value growth rate	1.6
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.

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

Notes to the consolidated financial statements

11. 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 2019	22,172	18,388	903	11,275	2,561	55,299
Additions	-	1,327	-	161	4,144	5,632
Disposals	-	-	(470)	-	-	(470)
At 31 December 2019	**22,172**	**19,715**	**433**	**11,436**	**6,705**	**60,461**
Accumulated depreciation						
At 1 January 2019	4,033	16,039	796	10,534	-	31,402
Charge for the year	739	1,102	43	468	-	2,352
Disposals	-	-	(440)	-	-	(440)
At 31 December 2019	**4,772**	**17,141**	**399**	**11,002**	**-**	**33,314**
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**
Carrying amounts						
At 31 December 2019	**17,400**	**2,574**	**34**	**434**	**6,705**	**27,147**
At 31 December 2018	18,139	2,349	107	741	2,561	23,897

12. Margin and trade receivables

	2019 AED'000	2018 AED'000
Margin receivables	**327,865**	422,700
Trade receivables, net	**144,574**	112,883
	472,439	535,583

	2019 AED'000	2018 AED'000
Trade receivables	**147,466**	116,341
Allowance for doubtful receivables	**(2,892)**	(3,458)
Trade receivables, net	**144,574**	112,883

Allowance for doubtful receivables movement for the year:

	2019 AED'000	2018 AED'000
Opening balance	**3,458**	5,757
Provided during the year	**234**	1,422
Reversed during the year	**(800)**	(3,721)
Ending balance	**2,892**	3,458

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

Customers are required to provide additional cash or securities if the price of pledged securities drops against the minimum eligibility of 125% *(2018:125%)*. If minimum eligibility is breached, the Group commence liquidation of pledged securities. The fair value of pledged securities held as collateral against margin receivables amounted to AED 1,053,698 thousand as at 31 December 2019 *(31 December 2018: AED 1,761,007 thousand).*

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

At 31 December 2019, the Group had certain exposures against which allowances amounting to AED 2,892 thousand *(31 December 2018: AED 3,458 thousand)* were held.

13. Guarantee deposits

Guarantee deposits are held with commercial banks in the UAE as collateral against letters of guarantee issued by the banks *(note 24)*. These are denominated in UAE Dirhams, with an effective interest rate of 3% *(2018: 3%)* per annum.

14. Investments 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 at fair value through profit or loss are as follows:

	2019 AED'000	2018 AED'000
At 1 January	**258,623**	121,673
Additions during the year	**230,119**	614,286
Disposals during the year	**(263,961)**	(419,374)
Unrealised loss (note 8)	**(18,402)**	(57,962)
	206,379	258,623

15. Bank balances and cash

	2019 AED'000	2018 AED'000
Cash in hand	**49**	139
Bank balance – current accounts	**153,672**	109,574
Bank balance – deposit accounts	**33,006**	32,223
	186,727	141,936

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

Bank balances include an annual deposit amounting to AED 33,006 *(2018: 32,223 thousand)* held as security against overdraft facility *(note 23).*

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

	2019 AED'000	2018 AED'000
Cash and bank balances	**186,727**	141,936
Bank overdrafts *(note 23)*	**(124,946)**	(125,372)
	61,781	16,564

16. Due from / due to securities markets

	2019 AED'000	2018 AED'000
Due from securities		
NASDAQ Dubai Limited	**119**	-
Dubai Financial Market	**-**	8,719
Abu Dhabi Securities Exchange	**-**	6
Saudi Market	**504**	-
	623	8,725
Due to securities markets		
Abu Dhabi Securities Exchange	**731**	1,291
Dubai Financial Market	**1,828**	-
	2,559	1,291

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

17. Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and fully paid share capital:		
549,915,858 shares of AED 1 each	**549,916**	549,916

18. 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.

19. 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.

20. 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.

21. Employees' end of service benefits

	2019 AED'000	2018 AED'000
Movements during the year		
At 1 January	**5,434**	4,781
Charge for the year	**1,061**	1,668
Paid during the year	**(1,436)**	(1,015)
At 31 December	**5,059**	5,434

22. Accounts payable and accruals

	2019 AED'000	2018 AED'000
Trade payables	**142,069**	129,600
Accrued expenses	**3,568**	5,153
Other payables	**7,891**	9,998
	153,528	144,751

23. Short term borrowings

	2019 AED'000	2018 AED'000
Facility 1	**10,460**	-
Facility 2	**16,900**	16,900
Facility 3	**38,349**	56,979
Facility 4	**17,794**	56,593
Facility 5	**22,787**	51,281
Facility 6	**49,963**	33,448
Facility 7	**35,280**	39,182
Facility 8	**-**	14,337
Facility 9	**-**	11,447
Bank overdrafts	**124,946**	125,372
	316,479	405,539

Facility 1
This represents loan obtained from a shareholder. It carries fixed interest rate. The term of the agreement is one month, renewed automatically

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.

23. 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 a revolving loan facility previously obtained from a shareholder, and has been settled in full in July 2019.

Facility 9
This represents a loan previously obtained to finance a short-term transaction. It carried fixed interest rate. The term of the agreement was three months, the facility has been settled in June 2019.

Bank overdrafts
These carry interest at prevailing market rates. Bank overdrafts are partially secured against bank balances (refer to note 15).

24. Commitments and contingencies

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

	2019 **AED'000**	2018 AED'000
Dubai Financial Market	**45,000**	75,000
Abu Dhabi securities exchange	**25,000**	35,000
NASDAQ Dubai Limited	**1,000**	1,000
Market making (ADX and DFM)	**9,000**	9,000
	80,000	120,000

At 31 December 2019, the guarantees were secured by a cash deposit of AED 31,064 thousand *(2018: AED 30,900 thousand)* refer to note 13.

The Group had no capital commitments and contingencies during the year *(2018: none).*

The Group had a financial commitment of AED 24.5 million *(31 December 2018: nil)* at the reporting date in relation to the full acquisition of a UAE domiciled financial entity. The acquisition is pending regulatory approval.

25. 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:

	2019 AED'000	2018 AED'000
Loans from related parties	**27,359**	31,237
Margin and trade receivables	**21,677**	12,240
Trade accounts payable	**264**	157

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

	2019 AED'000	2018 AED'000
Commission income	**438**	312
Margin income	**1,192**	248
Finance costs	**1,731**	2,069
Performance and management fees	**94**	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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties *(2018: nil).*

Compensation of key management personnel

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

	2019 AED'000	2018 AED'000
Short-term benefits (excluding bonus)	**5,088**	5,067
Bonuses	**780**	827
Number of key management personnel	**3**	3

26. 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.

	2019 AED'000	2018 AED'000
Effect on net profit		
+100 increase in basis point	**1,340**	1,300
-100 increase in basis point	**(1,225)**	(1,300)

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:

	2019 AED'000	2018 AED'000
Assets		
Balances with banks	**186,678**	141,797
Margin and trade receivables	**472,439**	535,583
	659,117	677,380

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 48% *(2018: 35%)* of margin receivables. The Group's margin 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.

26. 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 2019 and 31 December 2018, 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 2019				
Trade payables	**142,069**	**-**	**-**	**142,069**
Short term borrowings	**49,963**	**7,782**	**258,734**	**316,479**
Due to securities markets, net	**2,559**	**-**	**-**	**2,559**
Total	**194,591**	**7,782**	**258,734**	**461,107**
31 December 2018				
Trading payables	129,600	-	-	129,600
Short term borrowings	98,413	181,753	125,373	405,539
Due to securities markets, net	1,291	-	-	1,291
Total	229,304	181,753	125,373	536,430

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 2019 and 31 December 2018. Capital includes share capital, reserves and retained earnings and is measured at AED 477,739 thousand as at 31 December 2019 *(2018: AED 473,664 thousand).*

27. 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.

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
31 December 2019				
Investments at fair value through profit or loss	**189,998**	**-**	**16,381**	**206,379**
31 December 2018				
Investments at fair value through profit or loss	235,146	-	23,477	258,623

Significant portion of FVTPL as at 31 December 2019, are fair valued using quoted market prices (level 1). The basis for classifying other FVTPL investments under level 3 are disclosed above.

28. 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 year.

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 year, adjusted for the effects of any financial instruments with dilutive effects.

	2019	2018
Profit attributable to the year (AED'000)	**4,075**	3,348
Weighted average number of shares (thousand)	**549,916**	549,916
Basic and diluted earnings per share (AED)	**0.007**	0.006

29. Fiduciary activities

The Group held assets under management net of cash margins in a fiduciary capacity for its customers at 31 December 2019 amounting to AED 314,528 thousand *(31 December 2018: AED 206,542 thousand)*. These assets held in a fiduciary capacity are excluded from these consolidated financial statements of the Group.

30. Changes in significant accounting policies

The Group initially applied the following standards and amendments to standards from 1 January 2019.

– Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).
– IFRS 16 Leases.

The two changes above and other new standards are also effective from 1 January 2019, do not have a material impact on the Group's financial statements.

A. Interest rate benchmark reform

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in OCI that existed at 1 January 2019.

B. Leases

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

ii. As a lessee

As a lessee, the Group leases some branch and office premises and IT equipment. The Group previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet. Further, the Group has not entered into any new leases during the year ended 31 December 2019, other than leases of low-value IT equipment.

30. Changes in significant accounting policies *(continued)*

B. Leases *(continued)*

ii. As a lessee (continued)

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and office premises the Group has elected not to separate nonlease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group: – relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review; – did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application; – did not recognise right-of-use assets and liabilities for leases of low-value assets (i.e. IT equipment); – excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and – used hindsight when determining the lease term

iii. Impact on financial statements

Impact on transition
On transition to IFRS 16, the Group assessed that there is no material impact on the Group's financial statements.

31. Involvement with unconsolidated structured entities

During the year ended 31 December 2019, the Group established Sky One Money Market Fund, which is considered an unconsolidated vehicle. The Company is the fund manager and generates fees from managing assets on behalf of third-party investors. As at 31 December 2019, the Group does not have an interest in the fund.

32. Dividends

In their Annual General Meeting (AGM) held on 12 March 2019, the Shareholders of the Company have resolved not to distribute dividends for the year (2018: AED 32,995 thousand).

33. 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.