Al Safwa Islamic Financial Services (PrJSC) and its subsidiary

Consolidated financial statements

For the year ended 31 December 2015

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ALSAFWA ISLAMIC FINANCIAL SERVICES
(شركة مساهمة خاصة)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited Financial Statements of AL Safwa Islamic Financial Services PJSC and its subsidiary collectively referred to as (the "Group") for the year ended December 31, 2015.

Al Safwa Islamic Financial Services PJSC was incorporated on March 11, 2006 in accordance with provision of UAE Federal Companies law No.1984. The registered office of the company is PO Box No.185085, Dubai, United Arab Emirates.

In order to diversify the business, the company has established Al Safwa Capital in the Emirates of Sharjah as fully owned subsidiary. The Subsidiary has been granted license to undertake projects in Investment, Finance, Manufacturing and Trading Activities. We hope that establishment of Al Safwa Capital would help the company to play its due role in the year to come.

Financial Results

The group declared a loss of AED 2.5 million for the year ended December 31, 2015.

On behalf of the Board, I would like to appreciate the services of the management and employees for dedications and hard work and expect them to perform better in future.

Auditors

KPMG has been eligible to be re-appointed as auditor of the Group.

Dr. Yaqoub Ali Saeed
CEO

الصفوة للخدمات المالية الإسلامية * ALSAFWA ISLAMIC FINANCIAL SERVICES *

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Independent Auditors' Report

The Shareholders
Al Safwa Islamic Financial Services (PrJSC)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Safwa Islamic Financial Services PrJSC ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

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 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 7 to the consolidated financial statements, the Group has purchased and disposed of shares during the year ended 31 December 2015;

vi) note 9 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 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, which would materially affect its activities or its consolidated financial position as at 31 December 2015.

KPMG

KPMG Lower Gulf Limited
Date: 28 January 2016
Dubai, United Arab Emirates

Al Safwa Islamic Financial Services (PrJSC) and its subsidiary

Consolidated statement of financial position

As at 31 December 2015

	Note	2015 AED	2014 AED
Assets			
Non-current assets			
Property and equipment	*4*	**3,461,557**	4,202,393
Investment properties	*5*	**12,311,394**	14,646,964
Total non-current assets		**15,772,951**	18,849,357
Current assets			
Investment at fair value through profit or loss	6	**-**	-
Available-for-sale investment	*7*	**4,648,709**	4,648,709
Trade receivables, deposits, prepayments and other receivables	*8*	**42,505,736**	34,425,091
Amount due from related parties	*9*	**7,551,432**	12,582,453
Cash and bank balances	*10*	**35,757,122**	53,313,474
Total current assets		**90,462,999**	104,969,727
Total Assets		**106,235,950**	123,819,084
Equity			
Share capital	*11*	**129,841,748**	129,841,748
Statutory reserve	*11*	**3,631,718**	3,631,718
Treasury shares	*12*	**(2,000,000)**	(2,000,000)
Accumulated losses		**(46,512,850)**	(37,438,742)
Total Equity		**84,960,616**	94,034,724
Liabilities			
Non-current liabilities			
Employees' end of service benefits	*13*	**664,374**	416,055
Current liabilities			
Trade and other payables	*14*	**20,140,688**	28,708,032
Amount due to related parties	*9*	**470,272**	660,273
Total current liabilities		**20,610,960**	29,368,305
Total Liabilities		**21,275,334**	29,784,360
Total Equity and Liabilities		**106,235,950**	123,819,084

The notes on pages 9 to 28 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 JAN 2016
and signed on its behalf by

Chairman

The independent auditors' report is set out on page 2 and 3.

Al Safwa Islamic Financial Services (PrJSC) and its subsidiary

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

	Note	**2015 AED**	2014 AED
Commission income		**4,811,180**	13,370,437
Other income		**368,075**	329,507
Realised (loss) / gain on investments at fair value through profit or loss	*6*	**(650,650)**	126,275
Unrealised gain on fair value of investment properties	*5*	**2,021,986**	2,166,351
Dividend income	*7*	**181,787**	280,914
Total income		**6,732,378**	16,273,484
Staff salaries and benefits	*15*	**(4,648,767)**	(4,006,484)
Advertisement and business promotion		**(27,851)**	(6,796)
Administrative and general expenses	*16*	**(4,018,152)**	(3,707,923)
Impairment charge	*8*	**(519,629)**	-
(Loss) / profit for the year		**(2,482,021)**	8,552,281
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(2,482,021)**	8,552,281

The notes on pages 9 to 28 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 2 and 3.

Al Safwa Islamic Financial Services (PrJSC) and its subsidiary

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital AED	Statutory reserve AED	Treasury shares AED	Accumulated losses AED	Total AED
Balance at 1 January 2014	129,841,748	2,776,490	(2,000,000)	(38,203,708)	92,414,530
Total comprehensive income					
Profit for the year	-	-	-	8,552,281	8,552,281
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	8,552,281	8,552,281
Transfer to statutory reserve	-	855,228	-	(855,228)	-
Transactions with owners, recorded directly in equity					
Dividend declared (refer note 19)	-	-	-	(6,392,087)	(6,392,087)
Directors' fees (refer note 20)	-	-	-	(540,000)	(540,000)
Balance at 31 December 2014	129,841,748	3,631,718	(2,000,000)	(37,438,742)	94,034,724

The notes on pages 9 to 28 are an integral part of these consolidated financial statements.

The independent auditors' report is set on page 2 and 3.

Al Safwa Islamic Financial Services (PrJSC) and its subsidiary

Consolidated statement of changes in equity

For the year ended 31 December 2015

	Share capital AED	Statutory reserve AED	Treasury shares AED	Accumulated losses AED	Total AED
Balance at 1 January 2015	129,841,748	3,631,718	(2,000,000)	(37,438,742)	94,034,724
Total comprehensive income					
Loss for the year	-	-	-	(2,482,021)	(2,482,021)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(2,482,021)	(2,482,021)
Transactions with owners, recorded directly in equity					
Dividend declared (refer note 19)	-	-	-	(6,392,087)	(6,392,087)
Directors' fees (refer note 20)	-	-	-	(490,000)	(490,000)
Reversal of dividend (refer note 19)	-	-	-	290,000	290,000
Balance at 31 December 2015	**129,841,748**	**3,631,718**	**(2,000,000)**	**(46,412,850)**	**84,960,616**

The notes on pages 9 to 28 are an integral part of these consolidated financial statements.

The independent auditors' report is set on page 2 and 3.

Al Safwa Islamic Financial Services (PrJSC) and its subsidiary

Consolidated statement of cash flows

For the year ended 31 December 2015

	2015 AED	2014 AED
Cash flows from operating activities		
(Loss) / profit for the year	**(2,482,021)**	8,552,281
Adjustments for:		
Depreciation	**787,725**	758,109
Provision for employees' end of service benefits	**257,819**	76,056
Provision for doubtful debts	**519,629**	-
Unrealised gain on revaluation of investment properties	**(2,021,986)**	(2,166,351)
Dividend income	**(181,787)**	(280,914)
Profit from Murabaha	**(368,075)**	(329,507)
Operating (loss) / profit before changes in working capital	**(3,488,696)**	6,609,674
Working capital changes:		
Change in trade receivables, deposits, prepayments and other receivables	**(8,600,274)**	33,566,554
Change in amount due from related parties	**5,031,021**	(5,528,222)
Change in trade and other payables	**9,522,092**	(25,219,306)
Cash generated from operating activities	**2,464,143**	9,428,700
Less: Employees' end of service benefits paid	**(9,500)**	(70,169)
Net cash from operating activities	**2,454,643**	9,358,531
Cash flows from investing activities		
Acquisition of property and equipment	**(46,889)**	(137,702)
Acquisition of investment securities	**-**	(724,845)
Disposal of investment properties	**5,229,360**	-
Development expenditure on investment property	**(871,804)**	(500,000)
Profit received from Murabaha	**368,075**	329,507
Dividend received	**181,787**	280,914
Net cash generated from / (used in) investing activities	**4,860,529**	(752,126)
Cash flows from financing activities		
Distribution of general reserve to shareholders	**-**	(143,795)
Dividend paid	**(6,292,087)**	(6,021,814)
Directors' fees	**(490,000)**	(540,000)
Net cash used in financing activities	**(6,782,087)**	(6,705,609)
Net change in cash and cash equivalents	**533,085**	1,900,796
Cash and cash equivalents at 1 January	**14,571,834**	12,671,038
Cash and cash equivalents at 31 December	**15,104,919**	14,571,834
Cash and cash equivalents at the end of year comprises:		
Cash at bank and in hand (refer note 10)	**35,757,122**	53,313,474
Client deposits (refer note 10)	**(20,652,203)**	(38,741,640)
	15,104,919	14,571,834

The notes on pages 9 to 28 are an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 2 and 3.

1 Legal status and principal activities

Al Safwa Islamic Financial Services (PJSC) (the “Company”) was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Companies Law No. 8 of 1984.

On 26 November 2015, the Company has been listed on the Dubai Financial Market (“DFM”) as a Private Joint Stock Company (PrJSC).

The principal activity of the Company is brokerage services in local shares and bonds.

On 14 July 2009, the Group established a subsidiary by subscribing to 10,000,000 shares of AED 1 each representing 100% equity share in Al Safwa Capital LLC (the “subsidiary”) incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no. 2 of 2015. The principal activity of the subsidiary is to hold investment properties.

The consolidated financial statements of the Group comprise the Company and its wholly owned subsidiary, Al Safwa Capital LLC (collectively referred to as the “Group”).

The registered office of the Group is P.O. Box 185085, Dubai, United Arab Emirates.

2 Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standard Board (“IASB”) and comply with the requirements of UAE Federal Law No. 2 of 2015. UAE Federal Law No. 2 of 2015 being the Commercial Companies Law (“UAE Companies Law of 2015”) was issued on 1 April 2015 and has come into force on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investments at fair value through profit or loss, available-for-sale investments and investment properties, which are measured at fair value.

c) Functional currency and presentation currency

The consolidated financial statements have been presented in UAE Dirhams (“AED”), which is also the functional and presentation currency of the Group.

d) Use of estimate and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a risk of material adjustment in the next year are discussed in note 21.

3 Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a) Revenue recognition

Commission income
The Group earns commission income on sale and purchase of shares and bonds on behalf of its customers. Commission income is recognised on an accrual basis when services are rendered and the right to receive is established.

Murabaha income
Murabaha income is recognised on an accrual basis using effective yield basis.

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.

b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income.
With the exception of capital work in progress, depreciation is charged, so as to write-off the cost over their estimated useful lives, using the straight-line method, as follows:

	Life (years)
Furniture and fixtures	3 years
Computers	3 years
Office building	15 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

c) Subsidiary

A subsidiary is an investee controlled by the Group. The Group controls an investee if it is exposed to, 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. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

d) Offsetting

Financial assets and liabilities are offset and the net amount is reported on the reporting date only when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

3 Significant accounting policies *(continued)*

e) Financial instruments

Non-derivative financial instruments comprise investments at fair value through profit or loss, available-for-sale investments, trade and other receivables (except prepayments), cash and bank balances, trade and other payables and related party balances.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchases and sale decision based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in the consolidated statement of profit or loss and other comprehensive income when incurred. Financial instruments at fair value through profit or loss are subsequently measured at fair value, and changes therein are recognised in the consolidated statement of profit or loss and other comprehensive income.

Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are not designated as another category of financial assets. Subsequent to initial recognition, they are measured at fair value and change therein, other than impairment losses are recognised directly in equity. When an investment is de-recognised, the cumulative gain or loss is transferred to consolidated statement of profit or loss and other comprehensive income.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective profit method, less any impairment losses.

Derecognition

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Group is recognised as separate asset or liability in the consolidated statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3 Significant accounting policies *(continued)*

f) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of an asset measured at amortised cost is calculated as the differences between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective profit rate and also taking into consideration the financial standing of the customers and the value of securities held in the customers' account.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. In addition for an investment classified as available for sale ("AFS") a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of profit or loss and other comprehensive income (if the asset is impaired).

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

g) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

h) Investment properties

Investment property is either held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the consolidated statement of profit or loss and other comprehensive income. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of profit or loss and other comprehensive income.

3 Significant accounting policies *(continued)*

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand, which includes the Group's bank balances and client deposits and short term bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

j) Provision for employees' end of service benefits

'The Group provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement. This calculation is performed based on a projected unit credit method.

k) Treasury shares

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the options are granted. The cost of equity-settled transactions with employees is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled ending on the date on which the employees become fully entitled to the award (vesting date). However, as at the year end, no employees have been issued the share options as part of the employees' performance share program and hence these are presented as treasury shares in the consolidated statement of financial position.

l) Zakat

Zakat is provided for in accordance with the Group's articles of association and is payable on behalf of the shareholders. The rate of Zakat for the year is calculated at a rate of 2.5% of net assets, in accordance with the resolution of the Board of Directors advised by the Company's Sharia' Committee.

m) Foreign currency transactions

The accounting records of the Group are maintained in UAE Dirhams. Transactions in foreign currencies are translated to UAE Dirhams at the foreign exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to UAE Dirhams at the spot foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in UAE Dirhams at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to UAE Dirhams at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in consolidated statement of profit or loss and other comprehensive income.

3 Significant accounting policies *(continued)*

n) Fair value presentation

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 Significant accounting policies *(continued)*

o) New standards and interpretations applicable but not yet effective

A number of new standards, amendments to standards and interpretations that are issued but not effective for accounting period starting 1 January 2014, and have not been early adopted in preparing these consolidated financial statements. Those that may be relevant to the Group are as follows:

IFRS 9	Financials Instruments	Effective from 1 January 2018
IFRS 15	Revenue from Contracts with Customers	Effective from 1 January 2017

IFRS 9 - ***Financial Instruments***

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

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 - ***Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

The Group is in the process of evaluating the potential impact of this standard on it's consolidated financial statement resulting from application of this IFRS 15.

4 Property and equipment

	Computer equipment AED	Furniture and fixtures AED	Office building AED	Total AED
Cost				
Balance at 1 January 2015	3,712,345	613,464	6,015,000	10,340,809
Additions	46,889	-	-	46,889
Balance at 31 December 2015	**3,759,234**	**613,464**	**6,015,000**	**10,387,698**
Accumulated depreciation				
Balance 1 January 2015	3,250,788	613,464	2,274,164	6,138,416
Depreciation for the year	386,725	-	401,000	787,725
Balance at 31 December 2015	**3,637,513**	**613,464**	**2,675,164**	**6,926,141**
Net book value				
At 31 December 2015	**121,721**	**-**	**3,339,836**	**3,461,557**
Cost				
Balance at 1 January 2014	3,574,643	613,464	6,015,000	10,203,107
Additions	137,702	-	-	137,702
Balance at 31 December 2014	**3,712,345**	**613,464**	**6,015,000**	**10,340,809**
Accumulated depreciation				
Balance 1 January 2014	2,893,679	613,464	1,873,164	5,380,307
Depreciation for the year	357,109	-	401,000	758,109
Balance at 31 December 2014	**3,250,788**	**613,464**	**2,274,164**	**6,138,416**
Net book value				
At 31 December 2014	**461,557**	**-**	**3,740,836**	**4,202,393**

5 Investment properties

Properties in UAE

	2015	2014
	AED	AED
At 1 January	**14,646,964**	11,980,613
Unrealised gain on change in fair value	**2,021,986**	2,166,351
Development expenditure (refer note 23.2)	**871,804**	500,000
Disposal of investment properties (5.1)	**(5,229,360)**	-
	---------------	--------------
At 31 December	**12,311,394**	14,646,964
	=========	========

The carrying amount of investment properties is the fair value of the properties as determined by an independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair values were determined considering recent market transactions for similar properties in the same location as the Group's investment properties.

The fair value of investment properties have been derived using the direct comparison approach which involves making adjustments to the sale price of comparable properties to account for differences in location, plot area and shape, potential built-up area allowance, height allowance, date of sale, potential views and other individual characteristics and therefore has been classified as level 2 in the fair value hierarchy.

5.1 During the year, the Group has disposed of certain investment properties at their carrying values and hence no gain or loss has been recorded in the consolidated statement of profit or loss.

6 Investment at fair value through profit or loss

During the year, the Group invested in a number of quoted equities, all of which have been disposed of prior to the year end. The Group has recognised a realised loss of AED 0.7 million *(2014: Realised gain of AED 0.1 million)* on these investments. No dividend has been received in 2015 from quoted securities *(2014: AED 102,946).*

7 Available-for-sale investment

	2015	2014
	AED	AED
National Mass Housing Company (note 7.1) (625,000 shares)	**3,923,864**	3,923,864
Dubai Parks and Resorts (note 7.2) (717,668 shares)	**724,845**	724,845
	------------	-------------
	4,648,709	4,648,709
	=======	=======

7.1 During the year, the Group has received dividend amounting to AED 181,787 *(2014: AED 177,968)* from National Mass Housing Company. Management believes that the fair value of the investment is not significantly different from its carrying value.

7.2 The shares of Dubai Parks and Resorts have been recognised at cost as at the year end. Management believes that the fair value of the investment is not significantly different from its carrying value.

7.3 The Group has not purchased any new shares classified as available-for-sale during the year.

8 Trade receivables, deposits, prepayments and other receivables

	2015	2014
	AED	AED
Receivable from customers (note 8.1)	**8,845,923**	11,451,627
Less: Allowance for impairment losses (note 8.2)	**(804,404)**	(4,037,950)
	--------------	--------------
	8,041,519	7,143,677
Other financial assets-margin deposits (note 23)	**30,000,000**	20,000,000
Other financial deposit (note 8.3)	**-**	5,000,000
Settlement due from Abu Dhabi Securities Exchange ("ADX")	**712,504**	1,102,915
Settlement due from Dubai Financial Market ("DFM")	**3,006,779**	301,938
Prepayments	**583,454**	482,940
Refundable deposits	**15,000**	15,000
Other receivables	**146,479**	108,621
	--------------	--------------
	42,505,736	34,425,091
	========	========

8.1 As at 31 December 2015, market value of securities held as collateral amounted to AED 7.7 million *(2014: AED* 8.9 *million)* against the above receivables.

8.2 Movement in allowance for impairment of receivables:

	2015	2014
	AED	AED
At 1 January	**4,037,950**	5,775,995
Charge for the year	**519,629**	-
Write-off	**(2,014,928)**	(1,738,045)
Release of provision	**(1,738,247)**	-
	--------------	--------------
At 31 December	**804,404**	4,037,950
	========	========

8.3 As at 31 December 2014, the Group deposited an additional amount of AED 3 million with DFM and AED 2 million with ADX for trading in excess of the assigned trading limit of AED 10 million, for a temporary period.

9 Related party transactions

The Group enters into transactions with companies, individuals and entities that fall within the definition of a related party as contained in International Accounting Standard 24 Related Party Disclosures. Related parties comprise shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Details of transactions carried out with related parties during the year ended 31 December 2015 are as follows:

	2015	2014
	AED	AED
Transactions with shareholders		
Commission income	**661,075**	1,855,923
Dividend to shareholders (refer note 19)	**6,392,087**	6,392,087
	=======	=======
Compensation of key management personnel		
Short term benefits	**840,000**	740,000
Long term benefits	**269,548**	133,626
	======	======
Transaction with directors		
Directors fees (refer note 20)	**490,000**	540,000
	======	======

Details of balances with related parties as at the balance sheet date are as follows:

	2015	2014
	AED	AED
Balances with related parties		
Amount due from shareholders (note 9.1)	**7,551,432**	12,582,453
	=======	========
Amount due to shareholders	**470,272**	660,273
	======	======

9.1 Due from shareholders includes past due balance of greater than 90 days amounting to AED 9 million *(2014: AED* 4.2 *million)* against which the Company has made provision of AED 1.7 million.

As at 31 December 2015, market value of securities held as collateral amounted to AED 7 million *(2014: AED* 9 *million)* against these receivables.

The remaining amount of due from shareholders comprises of the amount used by the shareholder as margin money for share trading purpose which is fully collateralised by the securities held by the Group.

10 Cash and bank balances

	2015	2014
	AED	AED
Bank balances		
- Client deposits (note 10.1)	**20,652,203**	38,741,640
- Group's bank balance – current account	**15,090,370**	14,561,476
Cash in hand	**14,549**	10,358
	--------------	--------------
	35,757,122	53,313,474
	========	========

10.1 In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA") the Group maintains separate bank accounts for advances received from its customers ("clients' money"). The clients' money is not available to the Group other than to settle transactions executed on behalf of the customers.

11 Share capital and reserves

	2015	2014
	AED	AED
Authorised, issued and fully paid up:		
129,841,748 shares of AED 1 each	**129,841,748**	129,841,748
	=========	=========

Statutory reserve

In accordance with United Arab Emirates Federal Law No. 2 of 2015, as amended, the Group has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

12 Treasury shares

During 2006, the Group established an Employees' Performance Share Program (the "Program") to recognise and retain good performing staff. The program gives the employee the right to purchase the Group's shares at par value. The shares carry full dividend and voting rights, and the option can be exercised at any time from the stipulated vested dates on the condition that the employee is still under employment at the exercise date. There are no cash settlement alternatives and the options have no contractual expiry date.

The Group had issued share options to a number of employees. The options gave the employees the right to purchase 50,000 shares *(2014: 50,000 shares)* at par value of AED 1 per share. However, these employees are no longer in employment with the Group and they have not exercised the options. As at the year end, no employees have been issued the shares options and hence these are presented as treasury shares in the consolidated statement of financial position.

A related party acquired 2,000,000 shares of the Group's shares on behalf of the employees for the purpose of the Employees' Performance Share Program. The related party has confirmed that it is holding these shares on behalf of the employees for this purpose.

13 Employees' end of service benefits

Movement of end of service benefits is as follows:

	2015 AED	2014 AED
Provision at the beginning of the year	**416,055**	410,168
Charge for the year	**257,819**	76,056
Paid during the year	**(9,500)**	(70,169)
Provision as at the end of the year	**664,374**	416,055

14 Trade and other payables

	2015 AED	2014 AED
Client money	**19,739,001**	28,067,708
Other liabilities	**401,688**	640,324
	20,140,688	28,708,032

15 Staff salaries and benefits

	2015 AED	2014 AED
Staff salaries	**4,390,948**	3,930,428
End of service benefits	**257,819**	76,056
	4,648,767	4,006,484

16 Administrative and general expenses

	2015 AED	2014 AED
Market expenses	**608,304**	363,688
Rent	**117,380**	109,964
Legal and professional fees	**469,301**	975,139
Repair and maintenance	**146,632**	192,164
Printing and stationery	**7,866**	9,095
Depreciation expenses	**787,725**	758,109
Utilities	**90,772**	91,057
Communication expenses	**555,475**	455,549
Bank charges	**422,673**	225,887
Other expenses	**812,024**	497,271
	4,018,152	3,707,923

17 Zakat

Zakat related to the year ended 31 December 2015 has been calculated and approved by the Group's Sharia Supervisory Board as AED 1,343,031 (2014: AED 1,148,216). Based on the ruling of the Group's Sharia Supervisory Board, it is the sole responsibility of each shareholder to pay AED 0.010505 (2014: AED 0.0089815) of his respective contribution to the capital of the Company as Zakat.

18 Non Sharia compliant brokerage income

During the year, the Company has earned Non Sharia Compliant Brokerage Income of AED 894,234 related to 2015 (2014: AED 685,796) as approved by the Group's Sharia Supervisory Board.

Based on the ruling of the Company's Sharia Supervisory Board, it is the sole responsibility of each shareholder to donate AED 0.0069949 (2014: AED 0.0053644) of his respective contribution to the capital of the Company for charitable purposes.

19 Dividend declared

At the annual general meeting held on 26 March 2015, it was resolved to pay dividend of AED 6.4 million to the shareholders relating to the year ended 31 December 2014 (2014: AED 6.4 million relating to the year ended 31 December 2013). As at the reporting date, the Group has paid dividend of AED 6.1 million. The remaining balance of AED 0.3 million is appearing in due to related parties (refer note 9).

As of 31 December 2014, the Group had a dividend payable of AED 290,000 to it's shareholder. However, based on the mutual understanding between the parties, this liability has been reversed by the Company during the period.

20 Directors' fees

At the annual general meeting held on 26 March 2015, it was resolved to pay directors' fees of AED 0.5 million relating to the year ended 31 December 2014 (2014: AED 0.5 million relating to the year ended 31 December 2013). As at the reporting date, the Group has paid the entire amount.

21 Accounting estimates and judgments

Significant items where the use of estimates and judgments are required are outlined below:

(i) Impairment of receivable from customers

The Group reviews its receivable balances to assess impairment on a regular basis. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(ii) Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

21 Accounting estimates and judgments *(continued)*

(ii) Fair value of financial instruments *(continued)*

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

a) Fair value hierarchy of assets/liabilities measured at fair value

2015	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**
Financial assets – Available-for-sale investments	**724,845**	**-**	**3,923,864**
Non financial assets - Investment Properties	**-**	**12,311,394**	**-**
	======	========	========

2014	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**
Financial assets – Available-for-sale investments	724,845	-	3,923,864
Non financial assets - Investment Properties	-	14,146,964	-
	======	========	========

There is no movement in the fair value of available-for-sale investment and hence, level 3 reconciliation is not presented.

21 Accounting estimates and judgments *(continued)*

(ii) Fair value of financial instruments *(continued)*

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value and carrying amount**
Financial assets	**AED**	**AED**	**AED**	**AED**
Trade receivables, deposits and other receivables	**-**	**41,922,282**	**-**	**41,922,282**
Due from related parties	**-**	**7,551,432**	**-**	**7,551,432**
Cash and bank	**-**	**35,757,122**	**-**	**35,757,122**

2014	**Level 1**	**Level 2**	**Level 3**	**Total fair value and carrying amount**
Financial assets	**AED**	**AED**	**AED**	**AED**
Trade receivables, deposits and other receivables	-	33,942,151	-	33,942,151
Due from related parties	-	12,582,453	-	12,582,453
Cash and bank	-	53,313,474	-	53,313,474

21 Accounting estimates and judgments *(continued)*

(ii) Fair value of financial instruments *(continued)*

b) Financial instruments not measured at fair value *(continued)*

2015	**Level 1**	**Level 2**	**Level 3**	**Total fair value and carrying amount**
Financial liabilities	**AED**	**AED**	**AED**	**AED**
Trade payables (Client deposits)	-	**19,739,001**	-	**19,739,001**
Due to related parties	-	**470,273**	-	**470,273**
	=====	========	====	==========

2014	**Level 1**	**Level 2**	**Level 3**	**Total fair value and carrying amount**
Financial liabilities	**AED**	**AED**	**AED**	**AED**
Trade payables (Client deposits)	-	28,067,708	-	28,067,708
Due to related parties	-	660,273	-	660,273
	=====	========	====	==========

The Group's financial assets and liabilities not measured at fair value are of short term nature (up to 1 year). Management therefore believes that the carrying amounts are not significantly different to fair values.

22 Financial risk management

Overview

The Group is expected to the following risks from its use of financial instruments and operations:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Directors are responsible for day-to-day monitoring of the Group's exposure to each of the credit, liquidity, market and operational risks.

22 Financial risk management (continued)

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

a) 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 receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The exposure to credit risk on these facilities is monitored on an on-going basis by the management.

The Group has a policy in place under which each new customer is analysed individually for creditworthiness before the Group allows these customers to open a trading account with the Group.

The carrying amounts of financial assets represent the maximum credit risk exposure at the reporting date. At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	2015	2014
	AED	AED
Trade receivables, deposits, other receivables	**41,922,282**	33,942,151
Due from related parties	**7,551,432**	12,582,453
Bank balances	**35,742,573**	53,303,116
	85,216,287	99,827,720

Cash and cash equivalents are daily clearance and settlement balances with various banks. These balances are held in the UAE.

<u>Impairment</u>

The ageing of trade receivables and related parties are as follows:

	2015	2014
	AED	AED
Past due 0-30 days	**2,126,529**	10,015,892
Past due 31-90 days	**917,004**	396,291
More than 90 days	**15,092,068**	13,621,897
	18,135,601	24,034,080
Less: Allowance for impairment losses	**(2,542,651)**	(4,037,950)
	15,592,950	19,996,130

Receivables considered doubtful have been fully provided. The remaining receivables are covered by adequate security and payment plans (where applicable). The maximum exposure to credit risk for financial assets is concentrated within UAE.

22 Financial risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligation associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The financial liabilities of the Group comprise mainly trade and other payables and related party balances which are non-profit bearing with a maturity of less than six months. The contractual values of the Group's financial liabilities are not significantly different from their carrying amounts in the statement of financial position.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and profit rate, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group does not have significant exposure to currency risk because substantial transactions are denominated in the functional currency of the Group.

Profit rate risk

The Group does not have any significant exposure to profit rate risk as the majority of its instruments as at 31 December 2015 are with fixed profit rates.

Equity price risk

Equity price risk arises from the change in fair value of equity investments.

Sensitivity

An increase of 100 basis points in fair value as at reporting date would have increased the net assets attributable to the Group by AED 46,487 *(2014: AED* 46,487*)*. A decrease would have had the same but opposite effect.

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

To mitigate the operational risk, the Group has obtained fidelity and indemnity insurance cover against possible errors from its brokers while executing customers' orders for trades of securities in stock markets. Compliance with policies and procedures is supported by periodic reviews with the management of the business unit to which they relate.

22 Financial risk management (continued)

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Regulatory capital

The Group's lead regulator, Emirates Securities and Commodities Authority (ESCA), sets and monitors the regulatory capital requirements of the Group. The Group's regulatory capital set by ESCA is AED 10 million.

As per the UAE Federal law No. 2 of 2015, the Company is required to maintain share capital of AED 5 million.

There were no changes in the Group's approach to the capital management during the year. The Group has complied with all externally imposed capital requirements throughout the period.

23 Contingent liabilities and capital commitments

	2015	2014
	AED	AED
Letters of guarantee (note 23.1)	**50,000,000**	20,000,000
Development expenditure on investment property (note 23.2)	**1,228,196**	2,136,000
	=========	=========

23.1 The Group has arranged bank guarantees amounting to AED 35,000,000 and AED 15,000,000 to the Dubai Financial Market ("DFM") and Abu Dhabi Securities Exchange ("ADX") respectively, for the Group's fulfilment of obligations under the contract / agreement with DFM and ADX (31 December 2014: AED10,000,000 for DFM and AED 10,000,000 for ADX). The guarantees are secured against the margin deposit of AED 30,000,000 (31 December 2014: AED 20,000,000) placed with an Islamic Bank.

23.2 The Group had signed an agreement with a contractor on 2 February 2014 to construct six sheds on a land which is classified as investment property in the Group's consolidated financial statements. The total value of the contract is AED 2.6 million and as at the reporting date the Group has paid AED 1.4 million as per the agreement (AED 0.9 million in 2015 and AED 0.5 million in 2014).

24 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in these consolidated financial statements.