BH MUBASHER FINANCIAL SERVICES PSC
(Previously known as "AL SAFWA MUBASHER FINANCIAL SERVICES PRJSC")

DIRECTORS' REPORT
AND
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

BH MUBASHER FINANCIAL SERVICES PSC
(Previously known as "AL SAFWA MUBASHER FINANCIAL SERVICES PrJSC")

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
31 December 2019

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Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present this report and the audited consolidated financial statements of BH Mubasher Financial Services PSC (Previously known as "Al Safwa Mubasher Financial Services PrJSC") for the year ended 31 December 2019.

The year ended 2019 was very successful for the group as we witnessed a remarkable comeback turning to profitability after 2 consecutive years of losses achieving a net profit of AED 329,226 compared with AED 18.7 million loss in 2018 and AED 8.7 million loss in 2017. Top line income statement recorded a growth of 12.5% indicating strong recovery in operating revenue.

We have achieved an enormous change in company's operating cash flow as it has increased 195% from AED 20 million in 2018 to AED 59 million in 2019, which shows the company's ability to generate positive cash flows to maintain and grow its operations.

During the year, we got a new license for advisory services as per the management strategy to diversify company's sources of income. In 2019 the new segment generated an income of AED 1.69 million.

Signed on behalf of the Board

Abdel Hadi Al Sadi
CEO

Date: 04 March 2020

BH Mubasher Financial Services PSC
Private Joint Stock Company regulated by SCA
Registration No: 604097

بي إتش مباشر للخدمات المالية ش.م.خ
شركة مساهمة خاصة خاضعة لإشراف هيئة الأوراق المالية والسلع
تحت رقم تسجيل: ٦٠٤٠٩٧

P.O.Box, 26730, Dubai UAE, Tel: +971 4 524 7555 , Fax: +971 4 524 7
ص.ب ٢٦٧٣٠، دبي، الامارات العربية المتحدة، هاتف: ٧٥٥٥ ٥٢٤ ٤ ٩٧١+ ، فاكس: ٧٥٥٦ ٥٢٤ ٤ ٩٧١+

RSM Dahman Auditors

Office 3110, The Burlington Tower
Marasi Drive, Business Bay
P.O. Box 11855, Dubai, United Arab Emirates

T +971 (0)4 554 7423
F +971 (0)4 362 6238

www.rsm.ae

INDEPENDENT AUDITORS' REPORT

The Shareholders

BH Mubasher Financial Services PSC
(Previously known as "Al Safwa Mubasher Financial Services PrJSC")

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BH Mubasher Financial Services PSC (Previously known as "Al Safwa Mubasher Financial Services PrJSC") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes including a summary of significant accounting policies.

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

Basis for Opinion

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

Key audit matters

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

Valuation of goodwill

The Group had recognized goodwill in 2016 as a result of merger which was accounted for as a reverse business combination and the amount of goodwill is AED 38,379,061. The annual impairment testing of goodwill is considered to be the key audit matter due to the uncertainty of forecasting and discounting future cash flows and the significant judgments required in determining the recoverable amount. The recoverable amount is modelled using several key assumptions, including estimated trade volumes and prices, operating cost, terminal growth rates and forecasted profit or loss (discount rate).

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Independent Auditors' Report (continued)

Key audit matters (continued)

Valuation of goodwill (continued)

Our response

Our audit procedures included:

- Involving our own valuation specialist to evaluate the appropriateness of the model used and the discount rates applied, which including comparing future forecasted profit or loss to externally available industry, economic and financial data;
- evaluating the appropriateness of the assumptions applied to key inputs such as trade volumes and prices, operating cost and long term growth rates, which included comparing these inputs with external derived data as well as our own assessments based on our knowledge of the client and industry;
- performing sensitivity analysis, which included the assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact; and
- evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other Information

The other information comprises the Directors' report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and The Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and any of the applicable provisions of the UAE Federal Law No. (2) of 2015 and Company's Articles and Memorandum of Association and any regulations issued by the Central Bank of UAE, Emirates Securities and Commodities Authority and, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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Independent Auditors' Report Continued

Report on Other Legal and Regulatory Requirements

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

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

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

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 6 to these consolidated financial statements, the Group has purchased additional shares during the year ended 31 December 2019;

vi) note 8 to the consolidated financial statements discloses material related party transactions and transactions with conflict of interest, and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the 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 of its Articles and Memorandum of Association which would have a material impact on its activities or its financial position; and

We further report that, based on the information made available to us, nothing has come to our attention that causes us to believe that the Group has violated any regulations issued by the Central Bank of UAE, or the Emirates Securities and Commodities Authority during the year ended 31 December 2019, which may have had a material adverse effect on the business of the Group or its financial position.

RSM Dahman

Ahmed Mohamed Salem Bamadhaf

Registration No.:459

Dubai, United Arab Emirates
4 March 2020

P.O.Box: 11855, Dubai - U.A.E.
RSM Dahman
Accountants • Auditors • Consultants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Note	2019 AED	2018 AED
ASSETS			
NON-CURRENT ASSETS			
Goodwill and other intangible assets	3	43,935,476	44,699,061
Property and equipment	4	12,934,204	11,340,515
Investment properties	5	5,250,000	5,250,000
Financial assets through other comprehensive income	6	3,753,946	3,753,946
Amount due from related parties	8(b)	-	20,743,365
Total non-current assets		65,873,626	85,786,887
CURRENT ASSETS			
Short term deposit under lien		38,101,000	13,101,000
Prepayments and other receivables	7	143,369,969	91,377,797
Amounts due from related parties	8(b)	-	21,857,029
Financial assets through profit and loss	6	1,034,613	-
Cash and bank balances	9	128,876,650	124,882,693
Total current assets		311,382,232	251,218,519
Total assets		377,255,858	337,005,406
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	10	563,841,748	563,841,748
Treasury shares	10(a)	(2,000,000)	(2,000,000)
Legal reserve	10(b)	3,664,641	3,631,718
Fair value through OCI reserve		(115,793)	(115,793)
(Accumulated losses)		(2,792,736)	(3,089,039)
Merger reserve	10(c)	(390,410,680)	(390,410,680)
Total equity		172,187,180	171,857,954
NON-CURRENT LIABILITIES			
Bank borrowings (ijarah facility)	11	4,960,187	5,677,323
Employees' end of service benefits	12	1,410,664	1,851,730
Total non-current liabilities		6,370,851	7,529,053
CURRENT LIABILITIES			
Trade and other payables	13	136,742,146	102,784,025
Bank borrowings (ijarah facility)	11	717,136	717,136
Bank overdraft	9	-	54,105,153
Short term loan	14	24,000,000	-
Amounts due to related parties	8(b)	37,238,545	12,085
Total current liabilities		198,697,827	157,618,399
Total equity and liabilities		377,255,858	337,005,406

Independent auditors' report on page 2 to 5.

Abdel Hadi AL Sadi
CEO

The attached notes 1 to 22 form an integral part of the condensed interim financial information.

BH MUBASHER FINANCIAL SERVICES PSC
(Previously known as "AL SAFWA MUBASHER FINANCIAL SERVICES PRJSC")

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 December 2019

	Note	*2019* *AED*	*2018* *AED*
INCOME			
Commission and advisory income	17	13,079,656	12,795,030
Income from margin trading		8,833,241	6,709,150
Finance income		369,537	309,996
Other Income	18	2,132,919	659,247
		24,415,353	20,473,423
EXPENSES			
General and administrative expenses	19	(22,215,936)	(22,485,431)
Financial charges		(1,870,191)	(5,270,333)
Impairment loss on investment properties		-	(176,955)
Impairment loss on goodwill		-	(9,861,488)
Allowances for expected credit losses		-	(1,376,032)
		(24,086,127)	(39,170,239)
PROFIT FOR THE YEAR		329,226	(18,696,816)
STATEMENT OF COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Other comprehensive income		-	(172,099)
Net other comprehensive income not to be reclassified subsequently to profit or loss		-	(172,099)
Items that will be reclassified subsequently to profit or loss:			
Net other comprehensive (loss) to be reclassified subsequently to profit or loss		-	-
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		329,226	(18,868,915)
Basic and diluted profit/earnings per share (AED per share)		0.00	(0.03)

The attached notes 1 to 22 form an integral part of the condensed interim financial information.

BH MUBASHER FINANCIAL SERVICES PSC
(Previously known as "AL SAFWA MUBASHER FINANCIAL SERVICES PrJSC")

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 December 2019

	Share capital AED Note 10	Legal reserve AED Note 10(b)	Treasury shares AED Note 10(a)	Merger reserve AED Note 10(c)	Fair value through OCI AED	(Accumulated losses) / Retained earnings AED	Total AED
Balance at 1 January 2018	563,841,748	3,631,718	(2,000,000)	(390,410,680)	56,306	15,534,458	190,653,550
Loss on disposal of Investment at fair value through other comprehensive income directly recorded in (Accumulated losses) / Retained earnings	-	-	-	-	-	(98,780)	(98,780)
Total transactions with owners	-	-	-	-	-	-	-
Total comprehensive income for the year							
(Loss) for the year	-	-	-	-	-	(18,696,816)	(18,696,816)
Other comprehensive income for the year							
Transfer of gain on disposal of Investment at fair value through other comprehensive income to retained earning	-	-	-	-	(172,099)	172,099	-
Total comprehensive (loss) for the year	-	-	-	-	(172,099)	(18,524,717)	(18,696,816)
Balance at 31 December 2018	563,841,748	3,631,718	(2,000,000)	(390,410,680)	(115,793)	(3,089,039)	171,857,954
Balance at 1 January 2019	563,841,748	3,631,718	(2,000,000)	(390,410,680)	(115,793)	(3,089,039)	171,857,954
Total transactions with owners	-	-	-	-	-	-	-
Total comprehensive profit for the year							
Profit for the year	-	-	-	-	-	329,226	329,226
Other comprehensive income for the year							
Net change in fair value reserve	-	-	-	-	-	-	-
Amount transferred to legal reserve	-	32,923	-	-	-	(32,923)	-
Total comprehensive profit for the year	-	32,923	-	-	-	296,303	329,226
Balance at 31 December 2019	563,841,748	3,664,641	(2,000,000)	(390,410,680)	(115,793)	(2,792,736)	172,187,180

The attached notes 1 to 22 form an integral part of the condensed interim financial information

BH MUBASHER FINANCIAL SERVICES PSC
(Previously known as "AL SAFWA MUBASHER FINANCIAL SERVICES PRJSC")

CONSOLIDATED STATEMENT OF CASH FLOWS

31 December 2019

	2019 AED	2018 AED
OPERATING ACTIVITIES		
Profit/(loss) for the year	329,226	(18,696,816)
Adjustment for:		
Depreciation and amortisation	1,922,736	2,477,973
Unrealised gain on investments	(21,986)	-
Interest on bank borrowings	1,116,088	3,652,972
Interest income on deposits	(369,537)	(309,996)
Exchange Loss or gain	(268,323)	(648,678)
Provision for employees' end of service benefits	265,688	333,106
Impairment loss on goodwill	-	9,861,488
Property and equipment transferred from related party	(2,699,646)	
Loss on discounting future cash in flows	-	1,376,032
Operating gain/(loss) before working capital changes	274,246	(1,953,919)
Change in short term deposit under lien	(25,000,000)	4,646,174
Change in prepayments and other receivables	(52,392,090)	38,841,229
Change in due from related parties	42,600,394	2,241,260
Change in due to related parties	37,226,460	12,085
Change in trade and other payables	32,712,723	(23,341,523)
Change in short term loan	24,000,000	-
Change in employee end of service benefits	-	(708,950)
	59,421,733	19,736,356
Interest received on deposits	369,537	309,996
Payment of gratuity	(706,754)	-
Cash flow from operating activities	59,084,516	20,046,352
INVESTING ACTIVITIES		
Purchase of property and equipment	(56,517)	(194,660)
Sale proceed of Investment at fair value through other comprehensive income	-	2,042,886
Sale proceed of asset held for sale	-	6,000,000
Sale proceed of fixed asset	3,323	-
Investment properties	-	(150,000)
Purchase of investments	(1,012,627)	-
Cash flow from / (used in) investing activities	(1,065,821)	7,698,226
FINANCING ACTIVITIES		
Repayment of bank borrowings	(717,136)	(759,806)
Interest paid on bank borrowings	(1,116,088)	(3,652,972)
Proceeds from bank borrowings - vehicle loan	-	-
Cash flow (used in) financing activities	(1,833,224)	(4,412,778)

BH MUBASHER FINANCIAL SERVICES PSC
(Previously known as "AL SAFWA MUBASHER FINANCIAL SERVICES PRJSC")

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

31 December 2019

	2019 *AED*	*2018* *AED*
INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS	56,185,471	23,331,800
Exchange Loss/ Gain	268,323	648,678
Net (decrease) / Increase in cash and cash equivalents after exchange loss	56,453,794	23,980,478
Cash and cash equivalents at 1 January	(52,478,468)	(76,458,946)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	3,975,326	(52,478,468)
Represented by:		
Cash and bank balances	128,876,650	124,882,693
Client deposits	(124,901,324)	(123,256,008)
Bank overdraft	-	(54,105,153)
Cash and cash equivalents at the end of year	3,975,326	(52,478,468)

The attached notes 1 to 22 form an integral part of the condensed interim financial information

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

BH Mubahser Financial Services PSC (previously known as Al Safwa Mubasher Financial Services PrJSC) ("the Company") was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Law No. 2 of 2015.

As further explained in note 3, on 8 December 2016, the operations of Mubasher Financial Services LLC ("MFS") merged with Al Safwa and the combined entity was renamed as Al Safwa Mubasher Financial Services PrJSC. The Company continues to be listed on the DFM as a Private Joint Stock Company

On 26 November 2015, Al Safwa was listed on the Dubai Financial Market ("DFM") as a Private Joint Stock Company (PrJSC).

On 14 July 2009, Al Safwa Islamic Financial Services established a subsidiary by subscribing to 10,000,000 shares of AED 1 each representing 100% equity shares 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 and investment securities.

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

The principal activity of the Company is to act as an intermediary in dealings in shares, stocks, debentures and other securities including margin trading.

The registered office of the Company is P.O. Box 26730, Dubai, United Arab Emirates.

The consolidated financial statements have been approved by Board of Directors on 4 March 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared on going concern basis and in accordance with International Financial Reporting Standards (IFRS) as issued and adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee of the IASB enforce at 31 December 2019 and the requirements of the local laws and regulations.

Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair values of financial assets at fair value through profit or loss including those designated as such upon initial recognition and those classified as held for trading, investment properties.

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. When measuring the fair value of an asset or a liability, the Group uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorized into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Accounting convention *(continued)*

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting year during which the change occurred. The disclosures for fair value hierarchy in respect of Investment at the fair value through OCI are disclosed in note.

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Arab Emirates Dirham (AED), which is the Group's functional currency.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entity controlled by the Company (its subsidiary) as at 31 December 2019. Control is achieved where all the following criteria are met:

a) The Company has power over an entity;
b) The Company has exposure, or rights, to variable returns from its involvement with the entity; and
c) The Company has the ability to use its power over the entity to affect the amount of the Company's returns.

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

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

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

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Share of comprehensive income/loss within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit and loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit and loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

For the year ended on 31 December 2019, the Company has one subsidiary which was established on 14 July 2009 by subscribing to 10,000,000 shares of AED 1 each representing 100% equity shares in Al Safwa Capital LLC (the "subsidiary") incorporated in the Emirates of Sharjah. The principal activity of the subsidiary is to hold investment properties and investment securities.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations effective for the first time and applied:

The Group applied IFRS 16 Leases for the first time in 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

- IFRS 16 Leases:

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

Impact of adoption

The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application. Since all the leases of the Group are less than 12 months, hence, there is no change in the accounting treatment of the leases from the previous year.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

New and amended standards and interpretations effective for the first time and applied: *(continued)*

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

New and amended standards and interpretations effective for the first time and applied: (continued)

Amendments to IAS 28: Long-term interests in associates and joint ventures (continued)

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

i) IFRS 3 Business Combinations:

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

ii) IFRS 11 Joint Arrangements:

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

iii) IAS 12 Income Taxes:

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

New and amended standards and interpretations effective for the first time and applied: (continued)

iv) IAS 23 Borrowing Costs:

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

New and amended standards, and interpretations issued but not yet effective and not early adopted:

The Group has not applied the following new or amended pronouncements that have been issued by the IASB but are not yet effective for the financial year beginning on 1 January 2019.

The management anticipates that the new standards and amendments will be adopted in the Group financial statements when they become effective. The Group has assessed, where practicable, the potential effect of all these new standards and amendments that will be effective in future periods.

New standards:

- IFRS 17 Insurance Contracts (effective from 1 January 2021)

Amendments to existing standards:

- Amendments to IFRS 3 titled Definition of a Business (effective from 1 January 2020)
- Amendments to IAS 1 and IAS 8 titled Definition of material (effective from 1 January 2020)
- Amendments to References to Conceptual Framework in IFRS Standards (effective from 1 January 2020)
- Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (available for optional adoption / effective date deferred indefinitely)

Topics covered by these standards/interpretations are either not relevant for the preparations of this set of IFRS financial statements or the Group does not foresee that the application of these standards/interpretations will result in a significant impact on figures and disclosures on the reporting period they will be adopted except in certain cases where it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

2.3 Summary of significant accounting policies

A summary of the significant accounting policies, which have been applied consistently in the preparation of these financial statements, is set out below.

Property and equipment and depreciation

Property and equipment are initially recorded at cost. Cost includes the purchase price and related expenses. Subsequent to initial recognition as an asset, each asset is carried at its cost less accumulated depreciation less any impairment losses.

Depreciation is provided on all property and equipment, at rates calculated to write off the cost, less estimated recoverable value based on prices prevailing at the date of acquisition of each asset, over its expected useful life.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Property and equipment and depreciation *(continued)*

Expected future cash flows are not discounted to their present values in determining the recoverable amount of items of fixed assets. The estimated useful lives of the fixed assets are estimated as follows:

	Years
Office equipment	6-7
Furniture and fixtures	8
Computer hardware and related software	4
Machinery and Equipment	4
Building	20

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Depreciation on investment in buildings is charged on a straight-line basis over 20 years. No depreciation is charged on land and investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the period in which the property is derecognised.

Transfers to investment properties are made when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Intangible assets

Goodwill

Goodwill that arises on business combination is presented with intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Accounting policies for initial recognition and subsequent measurement of separately acquired intangible assets which comprise of customer relationship and software.

Amortization

Customer relationships and software are amortized over their estimated useful life of 10 years and 3 years respectively.

Goodwill is not amortized.

Financial Instruments

Classification of Financial Assets

Initial recognition

On initial recognition, a financial asset is classified as measured at (i) amortised cost, (ii) Fair Value through Other Comprehensive Income (FVOCI) or (iii) Fair Value through Profit or Loss (FVTPL).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

Classification of Financial Assets *(continued)*

a) *Financial assets measured at amortised cost:*

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

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

For the year ended on 31 December 2019, the Group's financial assets at amortised cost include amounts due from customers and other receivables, deposits, short term deposit under lien and cash and bank balances.

b) *Financial assets measured at FVOCI:*

- *Debt Instruments:* Debt Instruments may be classified as at FVOCI, where the contractual cash flows are solely for payments of principal and interest on the outstanding principal, and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling the underlying financial assets.
- *Equity Instruments:* In case of equity instruments which are not held for trading or designated at FVTPL, the Group may irrevocably elect to recognise subsequent changes in other comprehensive income. This election is made on an investment-by-investment basis.

For the year ended on 31 December 2019, the Group carries on investment in National Mass Holding Company which is classified as FVOCI.

c) *Financial assets measured at FVTPL:*

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

All other financial assets are classified as measured at FVTPL.

For the year ended on 31 December 2019, the Group carries trading investments in quoted shares which are to be classified as measured at FVTPL.

Business model assessment

The Group makes an assessment of the objective of a 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 frequency, volume and timing of trades of financial assets in prior years, the reasons for such trades and its expectations about the future trading activity. However, information about trading activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized;
- how the performance of the portfolio is evaluated and reported to the management; and
- 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

Classification of Financial Assets *(continued)*

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows, nor held both to collect contractual cash flows and to sell 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 outstanding principal.

In assessing whether the contractual cash flows are solely payments of principal and interest on the outstanding principal, the Group considers the contractual terms of the instruments. This includes assessing whether the financial assets contain a contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassification of financial assets:

Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Group changes its business model for managing such financial assets.

Derecognition of financial assets:

From 1 January 2018, any cumulative gain/loss recognised in the statement of other comprehensive income in respect of an equity instruments designated as FVOCI is reclassified to retained earnings upon derecognition.

Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model followed under IAS 39 with the forward-looking 'expected credit losses' ('ECL') model. Assessing how changes in economic factors affect ECL requires considerable judgement. ECL are determined on a probability-weighted basis.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair through profit loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is require for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For amount due from investors, the Group applies a simplified approach in calculating ECLs. Therefore the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default where equity holdings of the investors fall below 25% of the trade value. In case of non-settlement, the Group has a right to liquidate the securities and recover the value of the account reinstated to 1:0.50 margin ratio.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Classification of Financial liabilities

Initial recognition

Financial liabilities are classified, at initial recognition (i) at amortised cost or (ii) at FVTPL, or (iii) as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs, wherever applicable.

Measurement of financial liabilities:

The measurement of financial liabilities depends on their classification, as described below:

a) *Financial liabilities at FVTPL:*

Financial liabilities at FVTPL including financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL, shall be measured at fair value.

For the year ended on 31 December 2019, the Group has not designated any financial liability as at FVTPL.

b) *Other financial liabilities:*

After initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisitions and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

For the year ended on 31 December 2019, the Group's trade and other payables, bank borrowing, short term loan and amounts due to related parties were designated under this category of financial liability.

Derecognition of financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Operating segments

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group has two segments, one segment as its primary activity is to act as an intermediary in dealings in shares, stocks, debentures and other securities in the UAE and second segment is to provide advisory services to customers.

Trade and other receivables

Amount due from investors and other receivables are initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method, less any impairment losses.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Trade and other receivables *(continued)*

An impairment allowance is calculated using the ECL approach as defined in IFRS 9. The additional information on the calculation of ECL is described above under the heading of financial instruments. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, net of outstanding bank overdrafts and customer deposit.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

Employees' end of service benefits

Provision is made for employees' end of service benefits. Such provision is not less than the amounts payable under the UAE Federal Labour Law and is based on the liability that would arise if the services of all employees were terminated on the reporting date.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current / non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

The Group classifies all other liabilities as non-current.

Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five-step model as set out in 'IFRS 15 – Revenue from Contracts with Customers' as follows:

Step 1. Identify the contract(s) with a customer: A contracts is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligations is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Revenue from contracts with customers (continued)

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes all of the benefits provided by the Group's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

The Company's revenue is derived from brokerage services and company act as an agent, revenue recognised as follows:

Commission income

Brokerage commission income is recognized at the point in time when the services have been rendered and when the Group's right to receive the income has been established. The commissions are recognized on net basis i.e commission earned from the customer less commission collected on behalf of the exchange. The Group believes this is the most appropriate because it acts as an agent in the transaction rather than a principle.

Interest Income

Interest income is recognized as interest accrues using the effective interest method. This is the method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipt through the expected life of the financial asset to the net carrying amount of the financial asset.

Consultancy income

Income from consultancy services is recognized at the point in time when the services have been rendered and when the Group's right to receive the income has been established. Income is recongnised at the amount which the Group expected to receive from the customers.

Other Income

Other income is recognized when it is received or when the right to receive is established.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Foreign currencies

The functional and reporting currency of the Group is the Arab Emirates Dirhams (AED). Transactions denominated in foreign currencies are translated into (AED) and recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into AED at the exchange rates ruling at the reporting date. Realized and unrealized foreign exchange gains and losses arising on translation are recognized in the profit or loss.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

2.4 Significant accounting judgements, estimates and assumptions

In preparing its consolidated financial statements in conformity with International Financial Reporting Standards, the Group has to make significant judgment, estimates and assumptions that impact the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group periodically monitors such estimates and assumptions to make sure they incorporate all relevant information available at the date when consolidated financial statements are prepared. However, this does not prevent actual figures from differing from estimates.

Key judgment, estimates and assumptions are subject to management approval. At the statement of financial position date, management has mainly made the following key judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements:

- *Useful lives of property and equipment*

  The Group determines the estimated useful lives and related depreciation charges for its property and equipment. Any changes to the estimated useful life would impact the depreciation charge for the year.

- *Useful life of investment property*

  The Group determines the estimated useful life and related depreciation charges for its investment property. However, the investment property still under construction and not yet available for use, management has decided not to charge depreciation until construction is complete.

- *Allowance for expected credit losses of accounts due from customers:*

  The Group uses a provision matrix to calculate ECLs for amounts due from investors. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

  The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

  The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Significant accounting judgements, estimates and assumptions *(continued)*

- Impairment of Goodwill

  Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflow of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

  The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

  An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

  An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

- Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

  The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

- Lease term

  The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

3 GOODWILL AND OTHER INTANGIBLE ASSETS

Pursuant to a merger agreement between Al Safwa and MFS and shareholder resolutions of respective entities dated 21 January 2016, Ministerial Resolution number (499)/2016 issued by Ministry of Economy on 19 September 2016, and Emirates Securities and Commodities Authority ("ESCA") approval dated 11 October 2016 approving the merger, the Company commenced operations and traded as a combined entity under the revised name of BH Mubasher Financial Services PSC (Previously known as "Al Safwa Mubasher Financial Services PrJSC") with effect from 8 December 2016, on completion of the formalities of the UAE exchanges. As a result of the merger goodwill and client relationship arose, goodwill is tested annually for the impairment and client relationship is being amortised over its useful life.

3 GOODWILL AND OTHER INTANGIBLE ASSETS *(continued)*

The movement in goodwill and other intangible assets during the year is as follows:

	Goodwill AED	*Client relationships AED*	*Software AED*	*Total AED*
Cost:				
As at 1 January 2018	48,240,549	7,900,000	-	56,140,549
Addition during the year	-	-	-	-
Impairment during the year	9,861,488			
As at 31 December 2018	38,379,061	7,900,000	-	56,140,549
Addition during the year	-	-	-	-
Transferred from relate party	-	-	26,415	26,415
As at 31 December 2019	38,379,061	7,900,000	26,415	56,166,964
Amortization:				
As at 1 January 2018	-	790,000	-	790,000
Charge for the year	-	790,000	-	10,651,488
As at 31 December 2018	-	1,580,000	-	11,441,488
Charge for the year	-	790,000	-	790,000
As at 31 December 2019	-	2,370,000	-	12,231,488
Net book amounts:				
As at 31 December 2019	38,379,061	5,530,000	26,415	43,935,476
As at 31 December 2018	38,379,061	6,320,000	-	44,699,061

Goodwill is not impaired during the year and other intangible assets are amortized as disclosed in note 2.3.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on 3 year projected period approved by the management.

Key assumptions are those to which the recoverable amount of a cash-generating unit is most sensitive.

The following key assumptions were used in the discounted cash flow model for the business:

- 10% discount rate;
- 25% to 35% per annum projected revenue growth rate
- 20% per annum increase in 2020 and 5% to 15% per annum increase for 2021 and 2022 in the operating cost and overhead.

Management believes the forecasted revenue growth rate is prudent, based on projected trade volumes in the UAE stock markets over the 3 years.

4 PROPERTY AND EQUIPMENT

	Furniture & Fixture AED	*Computer equipment* AED	*Machinery & equipment* AED	*Office equipment* AED	*Vehicle* AED	*Building* AED	*Capital work in progress* AED	*Total* AED
Cost:								
At 1 January 2018	1,774,873	7,761,157	3,327,471	1,660,854	308,205	19,407,962	3,369,489	37,610,011
Additions	17,530	17,543	93,398	-	-	-	66,189	194,660
Reclassification	683,733	-	131,461	32,425	-	2,588,059	(3,435,678)	-
At 31 December 2018	2,476,136	7,778,700	3,552,330	1,693,279	308,205	21,996,021	-	37,804,671
Additions	-	-	56,517	-	-	-	-	56,517
Transferred from relate party	58,921	-	2,277,619	33,534	303,157	-	-	2,673,231
Disposal during the year	-	(3,323)	-	-	-	-	-	(3,323)
At 31 December 2019	2,535,057	7,775,377	5,886,466	1,726,813	611,362	21,996,021	-	40,531,096
Depreciation:								
At 1 January 2018	1,524,197	7,694,186	2,961,756	1,461,864	288,349	10,845,831	-	24,776,183
Charge for the year	156,032	56,069	228,639	55,175	19,856	1,172,202	-	1,687,973
At 31 December 2018	1,680,229	7,750,255	3,190,395	1,517,039	308,205	12,018,033	-	26,464,156
Charge for the year	156,608	15,448	142,642	55,174	5,902	756,962	-	1,132,736
At 31 December 2019	1,836,837	7,765,703	3,333,037	1,572,213	314,107	12,774,995	-	27,596,892
Net book amounts:								
At 31 December 2019	698,220	9,674	2,553,429	154,600	297,255	9,221,026	-	12,934,204
At 31 December 2018	795,907	28,445	361,935	176,240	-	9,977,988	-	11,340,515

Building includes the office building which is mortgaged with the facility provided by Noor Bank (Note 11)

Property and equipment transferred from related party are at net book value.

5 INVESTMENT PROPERTIES

	Property under construction AED	*Total AED*
Cost:		
As at 1 January 2018	5,100,000	5,100,000
Development expenditure	326,955	326,955
Impairment charge for the year	(176,955)	(176,955)
As at 31 December 2018	5,250,000	5,250,000
Impairment charge for the year	-	-
As at 31 December 2019	5,250,000	5,250,000

The investment property was under construction during the year that is why the Group did not yet started the depreciation on investments properties.

The fair value of Group's investment properties as at 31 December 2019 is AED 5.2million (31 December 2018: 5.2m based on unobservable market inputs (i.e. level 3).

The above investment property is on the name of ex vice chairman, Sheikh Mohammed Bin Ali Bin Rashid Al Nuaimi. He has confirmed that Group is the beneficial owner of this property.

6 FINANCIAL ASSETS

The Group have the following financial assets:

FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

	2019 AED	*2018 AED*
As at 1 January 2018	3,753,946	3,753,946
Additions during the year	-	-
As at 31 December 2018	3,753,946	3,753,946
Additions during the year	-	-
Fair value change during the year	-	-
As at 31 December 2019	3,753,946	3,753,946

Investment in securities classified as fair value through other comprehensive income (FVTOCI) represents 2.5% of interest held in National Mass Housing Company ("NMHC"), a private joint stock company incorporated in the sultanate of Oman and primarily involved in real estate development. The investment was acquired through the business combination.

FINANCIAL ASSETS THROUGH PROFIT AND LOSS

	2019 AED	*2018 AED*
As at 31 December 2018	-	-
Additions during the year	1,012,627	-
Fair value change during the year	21,986	-
As at 31 December 2019	1,034,613	-

Investment in securities classified as fair value through profit and loss (FVTPL) represent a portfolio of investments in the quoted shares.

7 PREPAYMENTS AND OTHER RECEIVABLES

	2019 *AED*	*2018* *AED*
Receivable from customers (note 7.1)	136,060,834	82,496,904
Allowances for expected credit losses (note 7.2)	(48,003)	(1,071,885)
	136,012,831	81,425,019
Prepayments	666,914	652,421
Advances	336,770	-
Other receivables:		
Net settlement due from:		
Abu Dhabi Securities Exchange	-	1,415,587
NASDAQ	-	1,310,459
Deposits	1,936,404	782,314
Receivable from broker	3,599,847	5,265,224
Others	817,203	526,773
	143,369,969	91,377,797

7.1 As at 31 December 2019, market value of securities held as collateral amounted to AED 2 billion (31 December 2018: AED 4.6 billion) against receivables from customers.

Receivable from the customers includes amount due from related parties amounted to AED Nil (31 December 2018: AED 1,446,679). The value of securities held as collateral amounted to AED Nil (31 December 2018: AED 4,500,403,489)

7.2 Movement in allowance for expected credit losses:

	2019 *AED*	*2018* *AED*
At 1 January	1,071,885	3,957,218
Addition of provision	-	196,514
Reversal of provision	(1,365)	-
Write-off	(1,022,517)	(3,081,847)
At 31 December	48,003	1,071,885

8 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include, parent, subsidiaries, key management personnel or their close family members.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. Transactions with related parties are conducted on terms agreed mutually between the parties.

Details of the balances with related parties at the reporting date and the significant transactions with related parties during the year are as follows:

8(a) Transactions during the year

	2019 *AED*	*2018* *AED*
Expenses incurred by related parties on behalf of the Group and recharged to the Group	896,262	314,035
Expenses incurred by the Group on behalf of related parties recharged to related parties	66,363	1,126,726
Salary and benefits provided to key management personnel	1,906,500	4,212,049
Income earned from related parties (note 8.2)	1,804,392	2,311,584
Commission received from Board member	52,030	-
Service level agreement and assets transferred from Brokerage House Securities	4,983,303	-

8(b) Balances with related parties as at the reporting date are as follows:

	2019 *AED*	*2018* *AED*
Amounts due from related parties:		
Direct FN DMCC	-	14,160,369
Arabic Computer Systems Ltd.	-	3,317,316
Direct Broker Co. KSA	-	3,575,750
Mubasher Financial Services BSC	-	5,808,594
NTG Investment LLC	-	15,987,951
MFS – DIFC	-	78,011
Al Safwa Mubasher – Asset Management	-	1,048,435
Total amounts due from related parties	-	43,976,426
Less: Allowance for the expected credit losses	-	(1,376,032)
	-	42,600,394
Disclosed as under:		
Non-current at gross value	-	22,119,397
Less: Allowance for the expected credit losses	-	(1,376,032)
Non-current	-	20,743,365
Current	-	21,857,029

Allowance for the expected credit losses:	*2019* *AED*	*2018* *AED*
Allowance at the beginning of the year	1,376,032	-
Addition during the year	-	1,376,032
Reversal during the year	(1,376,032)	-
Allowance at the end of the year	-	1,376,032

8(b) Balances with related parties as at the reporting date are as follows: *(continued)*

Amounts due to related parties:

	2019 AED	*2018 AED*
Mubasher for securities -- Egypt	-	12,085
Due to entities jointly control by common management	37,238,545	-
	37,238,545	12,085

8.1 The receivable balances represent expenses paid on behalf of and recharged to related parties.

8.2 The Group has an Executing Broker agreement with Mubasher Financial Services BSC ("MFS BSC") and Mubasher Financial Services DIFC ("MFS DIFC") to provide brokerage services on behalf of their customers wishing to trade in the UAE stock exchanges. The broker commission charged on these trades is on an agreed approved rate between the Group and MFS and is reviewed and revised periodically based on mutual agreement between the parties.

9 CASH AND BANK BALANCES

	2019 AED	*2018 AED*
Cash and bank		
- Group's deposits	3,974,320	1,610,754
- Cash in hand	1,006	15,931
- Customers' deposits (note 9.1)	124,901,324	123,256,008
Cash and bank	128,876,650	124,882,693
Bank overdraft (note 9.2)	-	(54,105,153)
Customer deposits	(124,901,324)	(123,256,008)
Cash and cash equivalents	3,975,326	(52,478,468)

9.1 In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA"), the Group maintains separate bank accounts for amounts received from its customers ("customer deposits") which are not available to the Group other than to settle transactions executed on behalf of such customers.

9.2 The overdraft facility availed by the Group carries an interest rate of 1 month EIBOR plus 5.5% subject to a minimum rate of 7.5% per annum. During the year bank closed the overdraft facility.

10 SHARE CAPITAL

	2019 Number of shares	*2018 Number of shares*
In issue at 1 January	563,841,748	563,841,748
In issue at 31 December	563,841,748	563,841,748
Total paid in capital (AED)	563,841,748	563,841,748

10 SHARE CAPITAL *(continued)*

Capital Adequacy Management

The Group manages its capital adequacy to ensure compliance with decision no. (27) of 2014 concerning the criteria for capital adequacy of the brokerage firms in securities and commodity contracts. 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 maximize shareholders 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, policy or processes during the years ending 31 December 2019 and 31 December 2018.

10(a) Treasury shares

The treasury shares represent 2,000,000 shares of the Group held by Al Safwa Capital LLC, which is a 100% subsidiary of the Company.

10(b) Legal reserve

The legal reserve of the current and comparative year is those of Safwa, which is the legal acquirer. In accordance with UAE Federal Law (2) of 2015, a minimum of 10% of the annual profit is to be transferred to this non-distributable statutory reserve. Such transfers may cease when the statutory reserve becomes equal to half of the paid up share capital.

10(c) Merger reserve

The amount recognised as issued equity instruments in the consolidated financial statements are determined by adding the issued equity of the legal acquiree (Mubasher Financial Services) outstanding immediately before the business combination to the fair value of the legal acquirer (Al Safwa Islamic Financial Services). However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of Al Safwa Islamic Financial Services, including the ordinary shares issued by Al Safwa Islamic Financial Services to effect the merger. The difference between the share capital and statutory reserve of Al Safwa Islamic Financial Services and the equity value of the Group as per IFRS 3 was transferred to a merger reserve.

The calculation for balances outstanding on the merger reserve as at 31 December 2019 and 31 December 2018 is shown in the table below.

	2019 *AED*	*2018* *AED*
Share capital of Mubasher Financial Services transferred to merger reserve	31,000,000	31,000,000
Less: share capital of Al Safwa Islamic Financial Services outstanding	(563,841,748)	(563,841,748)
Add: statutory reserve of Mubasher Financial Services	14,221,038	14,221,038
Less: statutory reserve of Al Safwa Islamic Financial Services	(3,631,718)	(3,631,718)
Add: Purchase consideration in business combination	129,841,748	129,841,748
Add: treasury shares of Al Safwa Islamic Financial Services	2,000,000	2,000,000
Total	(390,410,680)	(390,410,680)

11 BANK BORROWINGS (IJARAH FACILITY)

	2019 *AED*	*2018* *AED*
Bank borrowings (note 11.1)	5,677,323	6,394,459
Disclosed under statement of financial position as follows:		
Non-current portion of bank borrowings	4,960,187	5,677,323
Current portion of bank borrowings	717,136	717,136
	5,677,323	6,394,459

11.1 In 2008, the Group was granted a forward Ijarah facility from the Islamic Bank to purchase an office space in the Emirate of Dubai. On 8 November 2012, the Group obtained the possession of office premises and the Ijarah facility of AED 24,051,620 was rescheduled to be repayable in 180 equal monthly instalments commencing from 8 December 2012. The Ijarah facility bears a profit rate of EIBOR plus 1.75% p.a. and is secured by a first degree registered mortgage over the property.

12 EMPLOYEES' END OF SERVICE BENEFITS

	2019 *AED*	*2018* *AED*
Provision at the beginning of the year	1,851,730	2,227,574
Charge for the year	265,688	333,106
Pay outs	(706,754)	(708,950)
Provision at the end of the year	1,410,664	1,851,730

An actuarial valuation has not been performed as the net impact of discount rate and future increase in staff salaries is deemed by management to be insignificant and immaterial to the financial statements.

13 TRADE AND OTHER PAYABLES

	2019 *AED*	*2018* *AED*
Trade payables	130,158,679	97,930,025
Net settlement due to:		
- Dubai Financial Market	1,842,707	2,215,548
- Abu Dhabi Securities Exchange	2,339,328	23,185
- Nasdaq Dubai	335,763	1,210
- Other foreign markets	2,422	12,880
Other payables and accruals	2,063,247	2,601,177
Total trade and other payables	136,742,146	102,784,025

Trade payables mainly represent deposits from customers for the purpose of trading by the Group on their behalf.

14 SHORT TERM LOAN

	2019 AED	*2018 AED*
Short term loan	24,000,000	-

On 12 November 2019, the Group entered into loan agreements to borrow a total amount of AED 24,000,000 which is payable on or before 5 March 2020. Interest is calculated on a daily basis and payable at the end of each month.

15 CONTINGENT LIABILITIES

	2019 AED	*2018 AED*
Abu Dhabi Securities Exchange (ADX)	30,000,000	30,000,000
Dubai Financial Markets (DFM)	30,000,000	30,000,000
NASDAQ Dubai Limited (NASDAQ)	5,527,500	5,527,500
	65,527,500	65,527,500

The guarantees issued are secured by fixed deposits of AED 13,101,000 (31 December 2018: AED 13,101,000).

16 COMMITMENTS

Capital commitments

	2019 AED	*2018 AED*
Development expenditure on investment property	281,507	281,507

The Group has a commitment of development expenditure on investment properties amounting to AED 281,507 (31 December 2018: AED 281,507). The Group has signed an agreement with a contractor on 2 February 2014 to construct six sheds on land which is classified as investment property in the Group's consolidated financial statements. The total value of the contract is AED 2.66 million and as at the reporting date the Group has paid AED 2.38 million as per the agreement.

17 COMMISSION AND ADVISORY INCOME

	2019 AED	*2018 AED*
Commission Income	11,389,180	12,795,030
Advisory income	1,690,476	-
	13,079,656	12,795,030

18 OTHER INCOME

	2019 AED	*2018 AED*
Interest income	1,376,032	-
Foreign exchange gain	268,323	648,678
Other miscellaneous income	448,227	
Gain on investment	40,337	10,569
	2,132,919	659,247

Interest income represents the unwinding of discount on the amounts due from related parties.

19 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 *AED*	*2018* *AED*
Staff cost	12,252,191	10,008,988
Trading cost	3,954,136	5,089,560
Depreciation	1,132,736	1,687,973
Amortization	790,000	790,000
Rent	318,816	421,976
Legal and Professional	404,761	639,891
Registration and licensing	1,184,255	1,265,833
Communication	420,060	790,851
Allowances for expected credit losses	-	196,514
Other expenses	1,758,981	1,593,845
	22,215,936	22,485,431

20 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit or loss for the year attributable to owners of the Group by the weighted average number of shares outstanding during the year as follows:

	2019 *AED*	*2018* *AED*
Profit / (loss) for the year attributable to shareholders of the Group	329,226	(18,696,816)
Weighted average number of shares outstanding during the year	563,841,748	563,841,748
Basic and diluted profit / (loss) per share (AED per share)	0.0	(0.03)

21 FINANCIAL INSTRUMENTS

The financial asset of the Group comprises bank balances and cash, investment at FVTOCI & FVTPL, amounts due from related parties and accounts receivable. The financial liabilities of the Group include payables and accruals, amounts due to investors, bank borrowing, short term loan and amounts due to related parties. The accounting policies for financial assets and liabilities are set out in note (2.3).

The following table summarizes the carrying amount of financial assets and liabilities recorded as at reporting date:

FINANCIAL ASSETS	*2019* *AED*	*2018* *AED*
At amortised cost	310,080,623	271,309,464
Financial assets at fair value through profit and loss	1,034,613	-
Financial assets through other comprehensive income	3,753,946	3,753,946
Balance at 31 December	314,871,201	275,063,410
FINANCIAL LIABILITIES		
At fair value through profit and loss		
Measured at amortised cost:		
- Borrowings	29,677,323	60,499,612
- Derivative financial instruments	-	-
- Other financial liabilities	174,380,609	102,796,110
Balance at 31 December	204,057,932	163,295,722

21 FINANCIAL INSTRUMENTS *(continued)*

Fair value

The fair values of the Group's financial instruments are not materially different from their carrying values at the reporting date.

22 INFORMATION ON FINANCIAL RISKS

The main market risks to which the Group is exposed are credit risk and equity price risk.

Market risks

Market risk is the potential change in an instrument's value caused by fluctuations in interest and currency exchange rates, equity and commodity prices, credit spreads, or other risks. The level of market risk is influenced by the volatility and the liquidity in the markets in which financial instruments are traded. The Group mainly faces the following market risks:

Equity price risk:

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that derive their value from a particular stock, a defined basket of stocks, or a stock index. The Group tries to manage equity price risks by closely monitoring the market fluctuations in the prices of equities.

Risk of disputes:

Following margin trading, the Group's exposure to risk of disputes reduced significantly as the Group immediately communicates investors of the transactions executed through SMS notification and daily emails. Further, the Group sends statement of accounts to active investors at the end of each month.

However, the Group still has limited exposure to this risk where the Group execute a wrong trade and it may have to rectify it by purchasing or selling financial instruments at unfavorable market prices.

Credit risk:

The Group's exposure to credit risk is limited after initiation of margin trading. As per trading on margin rules and regulations and contract with investors, all accounts have to be settled within 2 business days where the net asset value of investor falls below 25% of the market value. In case of non-settlement, the Group has a right to liquidate the securities and get the value of account reinstated to 1:0.5 margin ratio.

Impairment on cash and cash equivalents has been measure on a 12-months expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. Amounts due from related parties are considered low risk and the management assessed this amount is recoverable.

The Group has adopted a lifetime expected credit loss allowance in estimating expected credit losses to amount due from investors through the use of provision matric using fixed rates of credit loss provisioning. These provisions are considered representation across all customers of the Group based on the historical allowance rates and forward looking information that is available.

Generally, amounts due from investors are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of an investor to engage in repayment plan, no active enforcement activities and a failure to make contractual payments for a year greater than one year.

Further, to comply with new Securities and Commodities Authority (SCA) law, the Group made provision of 75% of the net asset value (NAV) of the outstanding balance of investors. NAV is the net outstanding balance after deducting market value of the shares held as security by the Group. Hence, net exposure to credit risk is limited.

22 INFORMATION ON FINANCIAL RISKS *(continued)*

Amounts due from investors are analyzed below:

AMOUNTS DUE FROM INVESTORS – AGEING	*2019 AED*	*2018 AED*
Current		
Less than 30 days	49,145,260	23,624,757
31 to 90 days	28,271,030	22,675,912
Above 90 days	58,644,544	36,196,235
Balance at 31 December	136,060,834	82,496,904

The management controls the credit risk by close supervision of credit sanctions.

Further, the Group also holds the shares of investors under their brokerage account, its interests are protected to an extent.

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 continues basis.

The table below summaries the maturities of the Group undiscounted financial liabilities at 31 December 2019 and 31 December 2018, based on contractual payments.

2019	*Carrying amount AED*	*Contractual cash flows AED*	*Up to 3 months AED*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*
Amounts due to investors	137,142,064	137,142,064	137,142,064	-	-	-
Amounts due to related parties	37,238,545	37,238,545	37,238,545	-	-	-
Bank borrowing	5,677,323	6,754,051	245,644	725,564	3,542,563	2,240,280
Short term loan	24,000,000	24,108,333	24,108,333	-	-	-
Total	204,057,932	205,242,993	198,734,586	725,564	3,542,563	2,240,280
2018						
Amounts due to investors	102,784,025	102,784,025	102,784,025	-	-	-
Amounts due to related parties	12,085	12,085	12,085	-	-	-
Bank borrowing	6,394,459	7,758,508	253,300	751,157	5,314,392	1,439,659
Bank overdraft	54,105,153	54,105,153	43,523,709	10,581,444	-	-
Total	163,295,722	164,659,771	146,573,119	11,332,601	5,314,392	1,439,659

Interest rate risk

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

The Group is not exposed to any significant interest rate risk on its financial assets since all financial assets either interest free or carried at fixed interest rate. Interest rate risk mainly concerns to financial liabilities.

22 INFORMATION ON FINANCIAL RISKS *(continued)*

The following table analyses financial assets and financial liabilities by interest rate:

	2019 *AED*	*2018* *AED*
FINANCIAL ASSETS		
Non-interest bearing	140,709,367	180,537,391
Fixed rate	174,161,834	94,526,019
	314,871,201	275,063,410
FINANCIAL LIABILITES		
Non-interest bearing	173,663,473	102,796,110
Floating rate	6,394,459	60,499,612
Fixed rate	24,000,000	-
	204,057,932	163,295,722

The Group is not exposed to any interest risk since its financial assets and liabilities are either interest free or at fixed rate interest. Financial assets at fixed rate include amounts receivables from investors and guarantee deposits. The rate of interest on these instruments is between 5% to 15%.

Financial liabilities at fixed rate interest include short term borrowings. The rate of interest on borrowings is fixed at 2.5% p.a. Financial liabilities at floating rate of interest include bank borrowings. The rate of interest is disclosed in note 11 of the financial statements.

Sensitivity analysis

A hypothetical increase in the interest rate by 100 basis points would increase loss by AED 6,394 (2018: AED 604,996).

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 is not significantly exposed to currency risk because substantial transactions are denominated in the functional currency of the Group. Transactions denominated in United States Dollar ("USD") and other currencies do not carry significant currency risk.

Fair value estimation

The Group classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Quoted prices in active markets

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

22 INFORMATION ON FINANCIAL RISKS *(continued)*

The following table analyses, within the fair value hierarchy, the Group's financial assets measured at fair value at 31 December 2019

	Level 1 *AED*	*Level 2* *AED*	*Level 3* *AED*	*Total* *AED*
31 December 2019				
Financial assets – Investment at fair value through P&L	1,034,613	-	-	1,034,613
Financial assets – Investment at fair value through OCI	-	-	3,753,946	3,753,946
31 December 2018				
Financial assets – Investment at fair value through OCI	-	-	3,753,946	3,753,946