Al Safwa Islamic Financial Services (PJSC) and its subsidiary

Consolidated financial statements

For the year ended 31 December 2013

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For the year ended 31 December 2013

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DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited Financial Statements of AL Safwa Islamic Financial Services PJSC for the year ended December 31, 2013.

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

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

Financial Results

The company has reported a net profit of AED 8.41 million for the year ended December 31, 2013.

The Board of Directors comprises of the following;

Name	**Designation**
Sk Abdulaziz Bn Humaid Bin Rashid Al Noaimi	Chairman
Sk Mohamed Bin Ali Bin Rashid Al Nuaimi	Vice Chairman
Mr. Khalifa Yousif Abdulla Husain Khouri	Board Member
Mr. Ahmed Darwish |Dagher Al Marrer	Board Member
Mr. Khalifa Moh'd Abdulaziz Al Muhairi	Board Member
Mr. Abd El Aziz Husain Khouri	Board Member
Mr. Murtadha Ahmed Sultan	Board Member
Mr. Ali Hussain Al Sada	Board Member
Mr. Suliman Haider Al Haider	Board Member

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

Auditors

KPMG has been eligible to re-appointment as auditor of the company.

P.O. Box: 185085 Dubai U.A.E.
AL SAFWA ISLAMIC FINANCIAL SERVICES

Dr. Yaqoub Ali Saeed
CEO

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Independent Auditors' Report

The Shareholders
Al Safwa Islamic Financial Services (PJSC)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Safwa Islamic Financial Services PJSC ("the Group") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the consolidated financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended) and the Articles of Association of the Group; that proper financial records have been kept by the Group; and the contents of the Directors' report which relate to these consolidated financial statements are in agreement with the Group's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2013, which may have had a material adverse effect on the business of the Group or its financial position.

Munther Dajani
Registration No: 268

29 JAN 2014

Al Safwa Islamic Financial Services (PJSC) and its subsidiary

Consolidated statement of financial position

As at 31 December 2013

	Note	2013 AED	2012 AED
Assets			
Non-current assets			
Property and equipment	*4*	**4,822,800**	5,448,207
Investment properties	*5*	**11,980,613**	8,674,234
Total non-current assets		**16,803,413**	14,122,441
Current assets			
Investment at fair value through profit or loss	*6*	**-**	247,900
Available-for-sale investment	*7*	**3,923,864**	3,923,864
Trade receivables, deposits, prepayments and other receivables	*8*	**67,991,645**	39,933,387
Amount due from related parties	*9*	**7,054,231**	17,772,545
Cash and bank balances	*10*	**30,477,659**	27,941,483
Total current assets		**109,447,399**	89,819,179
Total Assets		**126,250,812**	103,941,620
Equity			
Share capital	*11*	**129,841,748**	129,841,748
Statutory reserve	*11*	**2,776,490**	1,935,051
General reserve	*11*	**-**	1,935,051
Treasury shares	*12*	**(2,000,000)**	(2,000,000)
Accumulated losses		**(38,203,708)**	(46,924,939)
Total Equity		**92,414,530**	84,786,911
Liabilities			
Non-current liabilities			
Employees' end of service benefits	*13*	**410,168**	362,576
Current liabilities			
Trade and other payables	*14*	**33,136,114**	17,353,852
Amount due to related parties	*9*	**290,000**	290,000
Zakat payable	*17*	**-**	1,148,281
Total current liabilities		**33,426,114**	18,792,133
Total Liabilities		**33,836,282**	19,154,709
Total Equity and Liabilities		**126,250,812**	103,941,620

The notes on pages 8 to 28 are an integral part of these consolidated financial statements.
These consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 JAN 2014 and signed on its behalf by

Chairman

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

Al Safwa Islamic Financial Services (PJSC) and its subsidiary

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Note	2013 AED	2012 AED
Commission income		**7,690,349**	3,627,900
Other income		**379,548**	4,117
Total income		**8,069,897**	3,632,017
Staff salaries and benefits	*15*	**(2,685,346)**	(3,444,337)
Advertisement and business promotion		**(6,796)**	(120,991)
Administrative and general expenses	*16*	**(3,477,657)**	(4,423,339)
Net profit/(loss) from operations		**1,900,098**	(4,356,650)
Unrealised loss on investment at fair value through profit or loss	*6*	-	(37,286)
Realised gain on sale of investment at fair value through profit or loss	*6*	**2,968,274**	-
Unrealised gain on change in fair value of investment properties	*5*	**3,306,379**	2,488,786
Dividend income		**239,638**	-
Net profit/(loss) for the year		**8,414,389**	(1,905,150)
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year		**8,414,389**	(1,905,150)

The notes on pages 8 to 26 are an integral part of these consolidated financial statements.

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

Al Safwa Islamic Financial Services (PJSC) and its subsidiary

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital AED	Statutory reserve AED	General reserve AED	Treasury shares AED	Accumulated losses AED	Total AED
At 1 January 2012	129,841,748	1,935,051	1,935,051	(2,000,000)	(42,669,288)	89,042,562
Total comprehensive loss for the year						
Loss for the year	-	-	-	-	(1,905,150)	(1,905,150)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(1,905,150)	(1,905,150)
Transactions with owners, recorded directly in equity						
Zakat (refer note 17)	-	-	-	-	(2,350,501)	(2,350,501)
At 31 December 2012	**129,841,748**	**1,935,051**	**1,935,051**	**(2,000,000)**	**(46,924,939)**	**84,786,911**

The notes on pages 8 to 26 are an integral part of these consolidated financial statements.

The independent auditors' report is set on page 2.

Al Safwa Islamic Financial Services (PJSC) and its subsidiary

Consolidated statement of changes in equity

For the year ended 31 December 2013

	Share capital AED	Statutory reserve AED	General reserve AED	Treasury shares AED	Accumulated losses AED	Total AED
At 1 January 2013	129,841,748	1,935,051	1,935,051	(2,000,000)	(46,924,939)	84,786,911
Total comprehensive loss for the year						
Profit for the year	-	-	-	-	8,414,389	8,414,389
Transfer to statutory reserve	-	841,439	-	-	(841,439)	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive loss for the year	-	841,439	-	-	7,572,950	8,414,389
Transactions with owners, recorded directly in equity						
Reversal of zakat payable for the year ended 31 December 2012 (refer note 17)	-	-	-	-	1,148,281	1,148,281
General reserve paid to shareholders as approved in the Annual General Meeting (refer note 18)	-	-	(1,935,051)	-	-	(1,935,051)
At 31 December 2013	**129,841,748**	**2,776,490**	-	**(2,000,000)**	**(38,203,708)**	**92,414,530**

The notes on pages 8 to 26 are an integral part of these consolidated financial statements.

The independent auditors' report is set on page 2.

Al Safwa Islamic Financial Services (PJSC) and its subsidiary

Consolidated statement of cash flows

For the year ended 31 December 2013

	2013 AED	2012 AED
Cash flows from operating activities		
Net profit / (loss) for the year	**8,414,389**	(1,905,150)
Adjustments for:		
Depreciation	**731,657**	504,764
Provision for employees' end of service benefits	**113,972**	132,525
Unrealised loss on investment at fair value through profit or loss	**-**	37,286
Gain on change in fair value of investment properties	**(3,306,379)**	(2,488,786)
Dividend income	**(239,638)**	-
Profit from Murabaha	**(379,548)**	(4,117)
	5,334,453	(3,723,478)
Working capital changes:		
Change in trade receivables, deposits, prepayments and other receivables	**(3,582,999)**	1,729,474
Change in amount due from related parties	**10,718,314**	(1,774,300)
Change in trade and other payables	**189,671**	(96,713)
Change in amount due to related parties	**-**	(11,360)
Cash flows from operating activities	**12,659,439**	(3,876,377)
Zakat paid	**-**	(1,202,220)
Less: Employees' end of service benefits paid	**(66,380)**	(208,980)
Net cash flows from operating activities	**12,593,059**	(5,287,577)
Cash flows from investing activities		
Acquisition of property and equipment	**(106,250)**	(761,518)
Acquisition of investment property	**-**	(2,636,126)
Profit received from Murabaha	**379,548**	4,117
Proceeds from sale of investment at fair value through profit or loss	**276,638**	-
Dividend received	**239,638**	-
Net cash flows from investing activities	**789,574**	(3,393,527)
Cash flows from financing activities		
Distribution of general reserve to shareholders	**(1,791,076)**	-
Net cash flows from financing activities	**(1,791,076)**	-
Net change in cash and cash equivalents	**11,591,557**	(8,681,104)
Cash and cash equivalents at 1 January	**11,079,481**	19,760,585
Cash and cash equivalents at 31 December	**22,671,038**	11,079,481
Cash and cash equivalents at the end of year comprises:		
Cash at bank and in hand	**30,477,659**	27,941,483
Client deposits (refer note 10)	**(7,806,621)**	(16,862,002)
	22,671,038	11,079,481

The notes on pages 8 to 26 are an integral part of these consolidated financial statements.
The independent auditors' report is set out on page 2.

1 Legal status and principal activities

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

On 14 July 2009, the Group established a subsidiary by subscribing to 10,000,000 shares of AED 1 each representing 100% equity share in Al Safwa Capital LLC (the "subsidiary") incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Companies Law no. 8 of 1984 (as amended). The principal activity of the subsidiary is to hold investment properties.

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

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

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

2 Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB"), and comply with the requirements of Federal Law No 8 of 1984 (as amended).

b) Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

i. IFRS 10 *Consolidated Financial Statements* (2011).
ii. IFRS 13 *Fair Value Measurement.*

IFRS 10 Consolidated Financial Statements (2011)

As a result of IFRS 10 (2011), the Group has changed its accounting policies for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposures or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The change did not have a significant impact on the Group's financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs.

The adoption of the new and amended standards and interpretations other than those explained above, did not have an impact on the consolidated financial position of the Group during the year.

2 Basis of preparation *(continued)*

c) Basis of measurement

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

d) Functional currency and presentation currency

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

e) Use of estimate and judgements

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

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

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a risk of material adjustment in the next year are discussed in note 19.

3 Significant accounting policies

Except for changes explained in note 2(b), the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a) Revenue recognition

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

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

b) Property and equipment

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income.

3 Significant accounting policies *(continued)*

b) Property and equipment *(continued)*

With the exception of capital work in progress, depreciation is charged, so as to write-off the cost over their estimated useful lives, using the straight-line method, as follows:

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

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

c) Subsidiary

A subsidiary is an investee controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of a subsidiary are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

d) Offsetting

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

e) Financial instruments

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

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

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

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

Other

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

3 Significant accounting policies *(continued)*

e) Financial instruments *(continued)*

Derecognition

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

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

f) Impairment

Financial assets

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

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

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

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

Non-financial assets

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

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

g) Provisions

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

3 Significant accounting policies *(continued)*

h) Investment properties

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

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

i) Cash and cash equivalents

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

j) Provision for employees' end of service benefits

Provision for employees' end of service benefits is made in accordance with the UAE labour laws and is based on current remuneration and cumulative years of service at the consolidated statement of financial position date.

k) Treasury shares

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

l) Zakat

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

3 Significant accounting policies *(continued)*

m) Foreign currency transactions

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

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

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

Foreign currency differences arising on translation are generally recognised in consolidated statement of comprehensive income.

n) Fair value measurement principles

Policy applicable from 1 January 2013

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the statement of comprehensive income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3 Significant accounting policies *(continued)*

n) Fair value measurement principles *(continued)*

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arms length basis.

When a market for a financial instrument is not active, the Group establishes fair value using valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other observable current market data.

o) New standards and interpretations applicable but not yet effective

A number of new standards, amendments to standards and interpretations that are issued but not effective for accounting period starting 1 January 2013, and have not been early adopted in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

4 Property and equipments

	Computer equipment AED	Furniture and fixtures AED	Office building AED	Capital work-in-progress AED	Total AED
Cost					
Balance at 1 January 2013	3,468,393	613,464	6,015,000	-	10,096,857
Additions	106,250	-	-	-	106,250
Balance at 31 December 2013	**3,574,643**	**613,464**	**6,015,000**	-	**10,203,107**
Accumulated depreciation					
Balance 1 January 2013	2,533,125	610,401	1,505,124	-	4,648,650
Depreciation for the year	360,554	3,063	368,040	-	731,657
Balance at 31 December 2013	**2,893,679**	**613,464**	**1,873,164**	-	**5,380,307**
Net book value					
At 31 December 2013	**680,964**	-	**4,141,836**	-	**4,822,800**
Cost					
Balance at 1 January 2012	2,594,374	613,464	6,015,000	112,500	9,335,338
Additions	424,019	-	-	337,500	761,519
Transfers from CWIP	450,000	-	-	(450,000)	-
Balance at 31 December 2012	**3,468,393**	**613,464**	**6,015,000**	-	**10,096,857**
Accumulated depreciation					
Balance 1 January 2012	2,444,043	596,818	1,103,025	-	4,143,886
Depreciation for the year	89,082	13,583	402,099	-	504,764
Balance at 31 December 2012	**2,533,125**	**610,401**	**1,505,124**	-	**4,648,650**
Net book value					
At 31 December 2012	**935,268**	**3,063**	**4,509,876**	-	**5,448,207**

5 Investment properties

Properties in UAE (Land)

	2013 AED	2012 AED
At the beginning of the year	**8,674,234**	3,549,322
Additions during the year	**-**	2,636,126
Unrealised fair value gain for the year	**3,306,379**	2,488,786
At the end of the year	**11,980,613**	8,674,234

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

6 Investment at fair value through profit or loss

	2013 AED	2012 AED
Quoted equity investments – fair value through profit or loss		
Fair value at the beginning of the year	**247,900**	285,186
Proceeds from disposal of investment during the year	**(276,638)**	
Realised gain on disposal	**28,738**	-
Unrealised (loss) during the year	**-**	(37,286)
	-	247,900

In addition to the above, the Group invested in a number of other quoted equities during the year, all of which have been disposed off prior to the year end. The Group has recognised a realised gain of AED 2.94 million on these investments.

7 Available-for-sale investment

In June 2008, the Group subscribed to 625,000 shares of the National Mass Housing Co. SAOC incorporated in the Sultanate of Oman. These shares were allocated to the Group during the second quarter of 2010. The cost of these shares is AED 3,923,864 *(31 December 2012: AED 3,923,864)* which represents an equity stake of 2.5%. The management believes that the fair value of this investment is not significantly different from its carrying value.

8 Trade receivables, deposits, prepayments and other receivables

	2013 AED	2012 AED
Receivable from customers (note 8.1)	**14,896,357**	20,059,934
Less: Allowance for impairment losses	**(5,775,995)**	(5,775,995)
	9,120,362	14,283,939
Other financial assets-margin deposits	**20,000,000**	20,000,000
Settlement due from Abu Dhabi Securities Exchange	**15,968,425**	827,313
Settlement due from Dubai Financial Market	**22,319,517**	4,131,576
Prepayments	**458,746**	486,398
Refundable deposits	**15,000**	40,750
Other receivables	**109,595**	163,411
	67,991,645	39,933,387

Movement in allowance for impairment of receivables:

	2012 AED	2013 AED
At 1 January	**5,775,995**	5,848,437
Charge for the year	**-**	-
Write-off	**-**	(72,442)
At 31 December	**5,775,995**	5,775,995

8.1 As at 31 December 2013, market value of securities held as collateral amounted to AED 10.2 million *(2012: AED 13.5 million)* against the above receivables.

9 Related party transactions

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

9 Related party transactions *(continued)*

Details of transactions carried out with related parties during the year ended 31 December 2013 are as follows:

	2013	2012
	AED	AED
Transactions with shareholders		
Commission income	**331,321**	250,741
	======	======
Compensation of key management personnel		
Short term benefits	**540,000**	590,000
Long term benefits	**99,626**	79,626
	======	======

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

	2013	2012
	AED	AED
Balances with related parties		
Amount due from shareholders (note 9.1)	**7,054,231**	17,772,545
	========	========
Amount due to shareholders	**290,000**	290,000
	=======	=======

9.1 Due from shareholders includes past due balance of greater than 90 days amounting to AED 6 million *(2012: AED 5.6 million)* against which no provision has been made as these are considered to be recoverable by the directors.

As at 31 December 2013, market value of securities held as collateral amounted to AED 3.4 million *(2012: AED 1.7 million)* against these receivables.

10 Cash and bank balances

	2013 AED	2012 AED
Bank balances		
- Client deposits (note 10.1)	**17,806,621**	16,862,002
- Group's cash at bank – current account	**12,670,105**	11,074,006
Cash in hand	**933**	5,475
	30,477,659	27,941,483

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

11 Share capital and reserves

	2012 AED	2013 AED
Authorised, issued and fully paid up:		
129,841,748 shares of AED 1 each	**129,841,748**	129,841,748

Statutory reserve

In accordance with United Arab Emirates Federal Companies Law Number 8 of 1984, as amended, the Group has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution except as stipulated by the Law.

12 Treasury Shares

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

The Group had issued share options to a number of employees. The options gave the employees the right to purchase 50,000 shares *(2011: 50,000 shares)* at par value of AED 1 per share. However, these employees are no longer in employment with the Group and they have not exercised the options. As at the year end, no employees have been issued the shares options and hence these are presented as treasury shares in the consolidated statement of financial position.

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

13 Employees' end of service benefits

Movement of end of service benefits is as follows:

	2013 AED	2012 AED
Provision at the beginning of the year	**362,576**	439,031
Provided during the year	**113,972**	132,525
Paid during the year	**(66,380)**	(208,980)
Provision as at the end of the year	**410,168**	362,576

14 Trade and other payables

	2013 AED	2012 AED
Client money	**32,310,798**	16,862,002
Other liabilities	**825,316**	491,850
	33,136,114	17,353,852

15 Staff salaries and benefits

	2013 AED	2012 AED
Staff salaries	**2,571,374**	3,311,812
End of service benefits	**113,972**	132,525
	2,685,346	3,444,337

16 Administrative and general expenses

	2013 AED	2012 AED
Market expenses	**355,023**	332,920
Legal and professional fees	**442,478**	1,071,747
Repair and maintenance	**155,510**	81,335
Printing and stationery	**20,334**	42,919
Depreciation expenses	**731,657**	504,764
Utilities	**86,080**	82,860
Communication expenses	**800,294**	867,645
Bank charges	**306,209**	393,153
Other expenses	**580,072**	1,045,996
	3,477,657	4,423,339

17 Zakat Payable

Zakat relates to the year ended 31 December 2012 and has been calculated and approved by Shariah' committee as AED 1.1 million. At the annual general meeting of the Shareholders held on 24 January 2013, the shareholders resolved to pay the Zakat amount directly. Accordingly, the Company's liability for Zakat has been reversed.

18 General reserve

The shareholders of the Group in the annual general meeting held on 24 January 2013, have resolved to discontinue any transfers and cancel the general reserve. It was also resolved to distribute the balance of general reserve to all shareholders. Therefore, during the year an amount of AED 1.8 million has been paid out to shareholders and the remaining will be paid next year.

19 Accounting estimates and judgments

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

(i) Impairment of receivable from customers

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

(ii) Fair value of financial instruments

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

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

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

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

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

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

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

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

19 Accounting estimates and judgments *(continued)*

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

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

2013	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**
Financial assets – Available-for-sale investment	-	-	**3,923,864**
Financial assets – Investment at fair value through profit or loss	-	-	-
Non financial assets - Investment Properties	-	**11,980,613**	-

2012	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**
Financial assets – Available-for-sale investment	-	-	3,923,865
Financial assets – Investment at fair value through profit or loss	247,900	-	-
Non financial assets - Investment Properties	-	8,674,234	-

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

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

b) Financial instruments not measured at fair value

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

2013	**Level 1**	**Level 2**	**Level 3**	**Total fair value and carrying amount**
Financial assets	**AED**	**AED**	**AED**	**AED**
Trade receivables, deposits and other receivables	-	67,532,899	-	67,532,899
Due from related parties	-	6,732,290	-	6,732,290
Cash and bank	-	30,476,726	-	30,476,726

19 Accounting estimates and judgments *(continued)*

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

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

2013	**Level 1**	**Level 2**	**Level 3**	**Total fair value and carrying amount**
Financial liabilities	**AED**	**AED**	**AED**	**AED**
Trade payables (Client deposits)	-	32,310,798	-	32,310,798
Due to related parties	-	290,000	-	290,000

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

20 Financial risk management

Overview

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

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

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

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

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

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The exposure to credit risk on these facilities is monitored on an on-going basis by the management.

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

20 Financial risk management *(continued)*

a) Credit risk *(continued)*

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

	2013 AED	2012 AED
Trade receivables, deposits, other receivables	67,532,899	39,446,989
Due from related parties	6,732,290	17,772,545
Cash and bank balances	30,476,726	27,936,008
	104,741,915	85,155,542

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

Impairment

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

	2013 AED	2012 AED
Neither past due nor impaired	-	-
Past due		
Past due 0-30 days	533,973	4,426,062
Past due 31-90 days	999,999	11,458,231
More than 90 days	20,416,616	21,948,186
	21,950,588	37,832,479
Less: Allowance for impairment losses	(5,775,995)	(5,775,995)
	16,174,593	32,056,484

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

b) Liquidity risk

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

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

20 Financial risk management *(continued)*

c) Market risk

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

Currency risk

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

Profit rate risk

The Group does not have any significant exposure to profit rate risk as the majority of its instruments as at 31 December 2013 are with fixed profit rates.

Equity price risk

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

Sensitivity

The Group's available for sale investment is unquoted (refer note 7). An increase of 100 basis points in fair value as at reporting date would have increased the net assets attributable to the Group and profit for the year by AED 39,238 *(2012: AED 39,238)*. A decrease would have had the same but opposite effect.

d) Operational risk

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

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

e) Capital management

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

Regulatory capital

The Group's lead regulator, Emirates Securities and Commodities Authority (ESCA), sets and monitors the regulatory capital requirements of the Group. The Group's regulatory capital set by ESCA is AED 30 million.

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

21 Contingent liabilities and capital commitments

	2013	2012
	AED	AED
Letters of guarantee	**20,000,000**	20,000,000

The Group has arranged bank guarantees amounting to AED 10,000,000 and AED 10,000,000 to the Dubai Financial Market ("DFM") and Abu Dhabi Securities Exchange ("ADX") respectively, for the Group's fulfilment of obligations under the contract / agreement with DFM and ADX *(31 December 2012: AED10,000,000 for DFM and AED 10,000,000 for ADX)*. The guarantees are secured against the margin deposit of AED 20,000,000 *(31 December 2012: AED 20,000,000)* placed with an Islamic Bank.

22 Comparative figures

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