Al Safwa Mubasher Financial Services PrJSC

Consolidated financial statements

For the year ended 31 December 2017

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For the year ended 31 December 2017

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الصفوة مباشر
ALSAFWA MUBASHER

Management Report

Management has pleasure in presenting their report together with the audited financial statement of AL Safwa Mubasher financial Service PRJSC and its subsidiary (the "Group") for the year ended 31ST December 2017.

Financial Results

The group record a net income of AED 25,769,008 for the year ended 31st December 2017, and a net loss of AED 8,375,441

The total shareholders' equity in the Group amounted to AED 190,653,550 and the total assets of the group amounted to AED 659,406,048

Chairman

Dubai, UAE

Date:

Al Safwa Mubasher Financial Services P.S.C.
Private joint stock company listed in DFM
SCA License number 604097
Paid capital AED 564 Million

الصفوة مباشر للخدمات المالية ش. م. خ
شركة مساهمة خاصة مدرجة بسوق دبي المالي
ترخيص رقم ٦٠٤٠٩٧
رأس المال ٥٦٤ مليون درهم إماراتي

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KPMG

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Independent Auditors' Report

To the Shareholders of Al Safwa Mubasher Financial Services PrJSC

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Safwa Mubasher Financial Services PrJSC ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 *"Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 24 of the consolidated financial statements, which states the revenue sharing agreements that the Group has entered into with its related parties subsequent to 26 April 2018; the date of approval of the Group's previous financial statements, on which we had expressed a qualified audit opinion, and the circumstances that led to the issuance of an unmodified audit opinion on these amended consolidated financial statements dated 28 June 2018. Our procedures on these amended financial statements are restricted solely to the amendment described in note 24 of the consolidation financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

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

Acquisition accounting

Refer to note 4 and accounting policies in note 3 a) to 3c) of the consolidated financial statements.

On 21 January 2016, Shareholders of Al Safwa Islamic Financial Services (PrJSC) ("Safwa") and Mubasher Financial Services LLC ("MFS") approved the merger of the two companies (the "transaction") with the acquisition date of this merger being 8 December 2016. This transaction has been accounted for in accordance with IFRS 3 - Business Combinations which requires the transaction to be accounted for using the acquisition method. Based on the facts and circumstances of the transaction, the management determined that it would be accounted for as a reverse acquisition whereby MFS was assessed to be the accounting acquirer of Safwa.

Purchase Price Allocation ("PPA"), required to be carried out as part of acquisition accounting, is complex and inherently judgmental. In particular, due the specialized nature of most intangible assets, measuring the fair value using the market approach may not always be possible. Hence, a number of management assumptions were made for selecting the appropriate methodology, assumptions and valuation techniques. Due to the uncertainty in determining the fair value of assets acquired and liabilities assumed, data used in order to calculate PPA and all its related disclosures, this is considered as a key audit matter.

Our response

We involved our valuation specialists in the audit of the PPA. We challenged the appropriateness of the methodology, assumptions and valuation techniques used to value assets and liabilities, the adequate identification of Cash Generating Units ("CGU") and the appropriateness of the useful lives assigned to the identified intangible assets, having regard to the expected use of these assets.

Our audit procedures included:

- Assessment of assumptions and inputs used by the management in determining the fair values of net identifiable assets and determination of Goodwill;
- challenging management assumptions used in determining the CGU and useful life of identified intangible assets;
- assessing management's conclusion in relation to the accounting for the transaction as a reverse acquisition in accordance with the requirements of IFRS 3;
- testing the process and controls to ensure the existence, completeness and accuracy of net identifiable assets on the merger date; and
- assessing the appropriateness of related disclosures.

Key audit matters (continued)

Impairment testing of goodwill

The Group has recognised goodwill in the amount of AED 48,240,549. The annual impairment testing of goodwill is considered to be a 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 costs, terminal growth rates and the weighted-average cost of capital (discount rate).

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 included comparing the weighted-average cost of capital 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 costs and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry;
- performing sensitivity analysis, which included 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, judgments and sensitivities.

Other information

Management is responsible for the other information. The other information comprises the Management's report, but does not include the consolidated financial statements and our Auditors' report thereon, which we obtained prior to the date of this Auditors' report, and the Annual report which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other information (continued)

If, based on the work we have performed on the other information that we have obtained prior to the date of this Auditors' report, 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.

When we will read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit, in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

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

- Obtain an understanding of internal controls 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 controls.
- 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 Auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

- we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- the financial information included in the Managements' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- the Group has not purchased any shares during the year ended 31 December 2017;
- note 11 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, it's Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2017.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: 28 JUN 2018

Al Safwa Mubasher Financial Services PrJSC

Consolidated statement of financial position

as at 31 December 2017

	Note	2017 AED	2016 AED
Assets			
Non-current assets			
Goodwill and other intangible assets	4	**55,350,549**	56,140,549
Property and equipment	6	**12,833,828**	11,003,658
Investment properties	7	**5,100,000**	11,950,159
Investment securities – available for sale	9	**5,895,614**	6,259,994
Total non-current assets		**79,179,991**	85,354,360
Current assets			
Assets held for sale	8	**6,000,000**	-
Short term deposit under lien	18	**17,747,174**	42,123,742
Prepayments and other receivables	10	**130,219,026**	29,673,650
Amount due from related parties	11	**46,217,686**	55,735,916
Cash and bank balances	12	**380,042,171**	149,022,131
Total current assets		**580,226,057**	276,555,439
Total assets		**659,406,048**	361,909,799
Equity and liabilities			
Equity			
Share capital	13	**563,841,748**	563,841,748
Treasury shares	13	**(2,000,000)**	(2,000,000)
Legal reserve	14	**3,631,718**	3,631,718
Fair value reserve		**56,306**	420,686
Retained earnings		**15,534,458**	23,909,899
Merger reserve	13	**(390,410,680)**	(390,410,680)
Total equity		**190,653,550**	199,393,371
Non-current liabilities			
Bank borrowings	15	**6,410,918**	7,150,971
Employee end of service benefits	16	**2,227,574**	2,844,245
Total non-current liabilities		**8,638,492**	9,995,216
Current liabilities			
Trade and other payables	17	**381,116,221**	136,989,577
Bank borrowings	15	**743,347**	782,451
Bank overdraft	12	**78,254,438**	14,749,184
Total current liabilities		**460,114,006**	152,521,212
Total liabilities		**468,752,498**	162,516,428
Total equity and liabilities		**659,406,048**	361,909,799

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 JUN 2018 and signed on their behalf by:

Chairman

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.
The Independent Auditors' report is set out on page 2 to 7.

Al Safwa Mubasher Financial Services PrJSC

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

	Note	**2017 AED**	2016 AED
Income			
Commission income	*20*	**20,128,674**	17,193,768
Finance income		**424,046**	344,442
Income from margin trading		**5,029,244**	146,291
Other income		**187,044**	254,854
Total income		**25,769,008**	17,939,355
Expenses			
Administrative and general expenses	*21*	**(27,215,146)**	(17,183,555)
Finance charges		**(5,885,547)**	(1,356,215)
Impairment loss on investment properties	*7*	**(1,043,756)**	-
Total expenses		**(34,144,449)**	(18,539,770)
Loss for the year		**(8,375,441)**	(600,415)
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Net (decrease)/increase in fair value of available for sale investments		**(364,380)**	38,244
Total comprehensive loss for the year		**(8,739,821)**	(562,171)
Basic and diluted loss per share (AED per share)		**(0.02)**	(0.00)

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

The Independent Auditors' Report is set out on page 2 to 7.

Al Safwa Mubasher Financial Services PrJSC

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Share Capital	Legal reserve	Treasury shares	Merger reserve	Fair value reserve	Retained earnings	Total
	AED	AED	AED	AED	AED	AED	AED
At 1 January 2016	**129,841,748**	**3,631,718**	**(2,000,000)**	**(86,252,428)**	**382,442**	**24,510,314**	**70,113,794**
Issue of share capital	434,000,000	-	-	(434,000,000)	-	-	-
Purchase consideration in business combination (note 4)	-	-	-	129,841,748	-	-	129,841,748
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	-	(600,415)	(600,415)
Other comprehensive income for the year							
Net change in fair value reserve	-	-	-	-	38,244	-	38,244
Total comprehensive loss for the year	-	-	-		38,244	(600,415)	(562,171)
At 31 December 2016	**563,841,748**	**3,631,718**	**(2,000,000)**	**(390,410,680)**	**420,686**	**23,909,899**	**199,393,371**
At 1 January 2017	**563,841,748**	**3,631,718**	**(2,000,000)**	**(390,410,680)**	**420,686**	**23,909,899**	**199,393,371**
Total comprehensive loss for the year							
Loss for the year	-	-		-	-	(8,375,441)	(8,375,441)
Other comprehensive loss for the year							
Net change in fair value reserve	-	-		-	(364,380)	-	(364,380)
Total comprehensive loss for the year	-	-	-	-	(364,380)	(8,375,441)	(8,739,821)
At 31 December 2017	**563,841,748**	**3,631,718**	**(2,000,000)**	**(390,410,680)**	**56,306**	**15,534,458**	**190,653,550**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.
The Independent Auditors' Report is set out on page 2 and 7.

Al Safwa Mubasher Financial Services PrJSC

Consolidated statement of cash flows

for the year ended 31 December 2017

	2017 AED	2016 AED
Cash flows from operating activities		
Loss for the year	**(8,375,441)**	(600,415)
Adjustments for non-cash and other items:		
Depreciation and amortisation	**2,362,924**	1,147,140
Interest on bank borrowings	**2,734,465**	575,077
Interest income on deposits	**(424,047)**	(344,443)
Exchange Loss	**135,291**	-
Provision for gratuity	**761,576**	1,184,790
Dividend income	**(177,444)**	-
	(2,982,676)	1,962,149
Change in short term deposit under lien	**(229,412,999)**	7,686,736
Change in prepayments and other receivables	**(100,545,376)**	16,941,972
Change in due from related parties	**9,518,230**	(15,378,707)
Change in trade and other payables	**244,126,644**	(19,395,712)
Gratuity Paid	**(1,378,247)**	(261,842)
	(80,674,424)	(8,445,404)
Interest received on deposits	**424,047**	344,443
Net cash used in from operating activities	**(80,250,377)**	(8,100,961)
Cash flows from investing activities		
Purchase of property and equipment	**(3,403,094)**	(74,089)
Investment properties	**850,159**	-
Dividend Income	**177,444**	-
Net cash used in investing activities	**(2,375,491)**	(74,089)
Cash flows from financing activities		
Repayment of bank borrowings	**(740,053)**	(11,890,704)
Interest paid on bank borrowings	**(2,734,465)**	(575,077)
Cash equivalents acquired in business combination	**-**	10,404,536
Proceeds from bank borrowings - vehicle loan	**(39,104)**	-
Net cash used in financing activities	**(3,513,622)**	(2,061,245)
Net decrease in cash and cash equivalents	**(86,139,490)**	(10,236,295)
Exchange Loss	**(135,291)**	-
Net decrease in cash and cash equivalents after exchange loss	**(86,274,781)**	(10,236,295)
Cash and cash equivalents at 1 January	**9,815,835**	20,052,130
Cash and cash equivalents at 31 December	**(76,458,946)**	9,815,835
Cash and cash equivalent comprises of:		
Cash and bank balances (note 12)	**380,042,171**	149,022,131
Customer deposits (note 12)	**(378,246,679)**	(124,457,112)
Bank overdraft	**(78,254,438)**	(14,749,184)
	(76,458,946)	9,815,835

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

The Independent Auditors' Report is set out on page 2 to 7.

1 Legal status and principal activities

Al Safwa Mubasher Financial Services PrJSC ("the Company"), formerly known as Al Safwa Islamic Financial Services (PrJSC) (“Safwa”), was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Law No. 2 of 2015.

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

As further explained in note 4, on 8 December 2016, the operations of Mubasher Financial Services LLC (“MFS”) merged with Safwa and the combined entity was renamed as Al Safwa Mubahser Financial Services PrJSC. The Company continues to be listed on the DFM as a Private Joint Stock Company.

The Parent Company of the Group, Mubasher Financial Service Bahrain which owned 77% of the Company sold its entire shares to Mubasher Holding Limited and Direct Broker co. KSA in December 2017. Consequently, as at 31 December 2017, the Parent company of the group is Mubasher Holding Limited while the ultimate parent of the Group is National Technology Group (the “Ultimate Parent Company”) which is incorporated in the Kingdom of Saudi Arabia.

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

The consolidated financial statements comprise 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.

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”), and applicable laws of UAE Federal Law No 2 of 2015.

(b) Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for available for sale investments which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in United Arab Emirates Dirham (“AED”), which is the Company’s functional currency.

(d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

affected. The critical areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are included in the relevant accounting policies.

(e) Changes in accounting policy

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 2017. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 Income Taxes relating to recognition of Deferred Tax Assets for unrealized losses.
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Amendment to IFRS 12 related to disclosure requirements of interest in other entities.

3 Summary of significant accounting policies

Except as disclosed in note 2 (e), the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a) Business combination

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

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

b) 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.

Loss of control

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

3 Summary of significant accounting policies (continued)

b) Subsidiary (continued)

Transactions eliminated on consolidation

Inter Group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

c) Intangible assets and Goodwill

i) ***Recognition and measurement***

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

Other intangible assets, including customer relationships that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii) ***Subsequent expenditure***

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii) ***Amortisation***

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives are as follows:

Customer relationships	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is stated at cost including borrowing cost. When the Group commences its use, the capital work in progress is transferred to the appropriate category of property and equipment and is depreciated in accordance with the Group's policy.

3 Summary of significant accounting policies (continued)

d) Property and equipment (continued)

Recognition and measurement (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing cost related to the acquisition, construction or production of qualifying assets is capitalised as part of cost of that item as property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property and equipment and are recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component. The estimated useful lives are as follows:

	Years
Office equipment	6-7
Furniture and fixtures	8
Computer hardware and related software	4
Machinery and Equipment	4
Building	15

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e) 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 15 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.

f) Financial instruments

i) Non-derivative financial assets

The Group initially recognizes trade and other receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are

3 Summary of significant accounting policies (continued)

f) Financial instruments (continued)

i) Non-derivative financial assets (continued)

recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in such transferred financial assets that is created or retained by the Group, is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: trade and other receivables, cash and cash equivalents and available for sale financial assets.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash on hand, Group's bank balances, excluding customer deposits and short term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available–for-sale and are not classified in any of the above categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available for sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

ii) Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date, which is the date the Group becomes a party to the contractual provision of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Group’s non-derivative financial liabilities comprise of trade and other payables and bank borrowings.

Such financial liabilities are recognised initially at fair value minus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using effective interest method.

3 Summary of significant accounting policies (continued)

f) Financial instruments (continued)

iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares are recognised as a deduction from equity.

iv) Fair value

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

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

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

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

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

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

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

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

g) Impairment

Non-derivative 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 a loss event has occurred after the initial

3 Summary of significant accounting policies (continued)

g) Impairment (continued)

Non-derivative financial assets (continued)

recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security classified as available for sale (“AFS”), a significant or prolonged decline in its fair value below its cost is considered as an objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate and also taking into consideration the financial standing of the customers and the value of the securities held in the customer’s account which cannot be disposed of without the Group’s consent. Losses are recognised in profit or loss and reflected in an allowance account against trade and other receivables. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available for sale financial assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to the application of the effective interest rate method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. 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.

3 Summary of significant accounting policies (continued)

g) Impairment (continued)

Non-financial assets (continued)

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.

h) Employees' end of service benefits

With respect to its national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under UAE Labour Laws.

i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

j) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

k) Commission income

The Group earns commission income on those transactions in which it acts as an agent. Commission income is recognised on an accrual basis when the services are performed and right to receive income is established.

3 Summary of significant accounting policies (continued)

k) Commission income (continued)

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs.

l) Interest income and expense

Interest income and expense for all interest bearing financial instruments except for those classified as held for trading or designated at fair value are recognised in 'Finance income' and 'Finance expense' in the profit or loss on time proportionate basis using the effective interest rate method.

The effective interest rate is the rate that discounts the estimated future cash receipts and payments earned or paid on a financial asset or a liability through its expected life or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

m) Dividend income

Dividend income is recognised when the Group's right to receive such income is established.

n) Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

o) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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 or to realise the asset and settle the liability simultaneously.

Income and expense are presented on a net basis only when permitted by IFRS.

p) 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 one segment as its primary activity is to act as an intermediary in dealings in shares, stocks, debentures and other securities in the UAE.

q) Assets held for sale

Assets or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is recognised in profit or loss.

3 Summary of significant accounting policies (continued)

r) New and amended standards in issue but not yet effective

A number of new standards and amendments to standards applicable to the Group are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

IFRS 9 Financial Instruments

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

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

i) Classification- Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements, if applied at 1 January 2018, would have a material impact on its accounting for trade and other receivables and amount due from related parties. These financial assets will be classified under the amortised cost category of IFRS 9 since they meet the following criteria:

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

At 31 December 2017, the Group had equity investments classified as available-for-sale with a fair value of AED 5,895,614 that are held for long-term strategic purposes. Under IFRS 9, the Group will designate these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

ii) Impairment- Financial Assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

3 Significant accounting policies (continued)

r) New and amended standards in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

ii) Impairment- Financial Assets (continued)

Under IFRS 9, loss allowances will be measured on either of the following bases;

– 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
– Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; the Group has chosen to apply this policy also for trade receivables with a significant financing component.

The cash and cash equivalents and fixed deposits under lien are held with bank and financial institution counterparties, which are rated Baa1 to Aa3, based on Moody's external credit ratings as at 31 December 2017. The estimated impairment on cash and cash equivalents will be calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents and deposits under lien have low credit risk based on the external credit ratings of the counterparties.

Based on its preliminary assessment, the Group does not believe that the new impairment requirements, if applied at 1 January 2018, would have a material impact on its consolidated financial statements.

iii) Classification- Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. The Group's preliminary assessment did not indicate any material impact if IFRS 9's requirements regarding the classification of financial liabilities were applied at 1 January 2018.

iv) Transition

The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including

3 Significant accounting policies (continued)

r) New and amended standards in issue but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes**.**

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Based on its assessment, the Group does not believe that the new requirements under this standard, if applied at 1 January 2018, would have a material impact on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 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.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

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

4 Business Combination

Pursuant to a merger agreement between 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 Al Safwa Mubahser Financial Services PrJSC with effect from 8 December 2016, on completion of the formalities of the UAE exchanges. As a result of the merger, through the issue of new shares in the Company, MFS shareholders acquired 77% of the Company for a total consideration of AED 129,841,748.

The merger was accounted for as a reverse acquisition under IFRS 3 – 'Business Combinations' considering, amongst other facts of the transaction, that MFS acquired a controlling stake in the Company. As such, for accounting purposes, Safwa is treated as the 'accounting acquiree' and MFS is treated as the 'accounting acquirer'.

4 Business combination (continued)

Consequently, the consolidated financial statements of the Company are shown as a continuation of the financial statements of MFS with an adjustment to reflect the legal share capital and statutory reserves of Safwa with corresponding adjustment reflected in a merger reserve (note 13).

The group has evaluated the fair value of the identifiable net assets (including intangible assets) acquired as part of the acquisition in Safwa. The fair values of these assets and liabilities along with the goodwill arising on acquisition are shown in the table below.

	Fair value recognised on acquisition
	AED
Intangible assets - client relationships	7,900,000
	7,900,000
Property and equipment	2,553,532
Investment properties	11,950,159
Investment securities-available for sale	3,869,738
Short term deposit under lien	30,000,000
Prepayments and other receivables	16,679,872
Amount due from related parties	6,179,896
Cash and bank balances	24,024,201
Employee end of service benefits	(534,874)
Trade and other payables	(20,781,325)
Due to related parties	(240,000)
Total identifiable net assets	**81,601,199**
Total consideration transferred (note 4.1)	**129,841,748**
Goodwill arising on acquisition	**48,240,549**

4.1 Purchase consideration

As per the requirements of IFRS 3 for reverse acquisitions, the consideration for MFS acquisition of Safwa is the fair value of the equivalent number of shares that MFS would have to issue to Safwa shareholders that would give MFS shareholders and Safwa shareholders the same percentage of equity ownership of 77% and 23% respectively, in the Group.

4.2 Valuation of intangible assets:

The value of customer relationships is determined by discounting future excess earnings attributable to the loyalty program over a reasonable time span. The purchase price allocation is based on the multi period Excess Earnings Methods which involves calculating appropriate future revenues attributable to customer relationships at the acquisition date, determining associated costs incurred to generate those revenues, computing net earnings and discounting these at an appropriate discount rate.

4 Business Combination (continued)

4.3 Goodwill and other intangible assets

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

	Goodwill	Client relationships	Total
	AED	**AED**	**AED**
As at 1 January 2017	**48,240,549**	**7,900,000**	**56,140,549**
Amortisation charge (note 20)	**-**	**(790,000)**	**(790,000)**
As at 31 December 2017	**48,240,549**	**7,110,000**	**55,350,549**
As at 31December 2016	48,240,549	7,900,000	56,140,549

5 Financial risk management

Overview

The Group has exposure 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. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Director, along with a Risk and Compliance Department, is responsible for day-to-day monitoring of the Group's exposure to each of the credit, liquidity and market risks.

(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. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The Group's financial assets which are potentially subject to concentration of credit risk consist of balances with bank, amount due from related parties, trade and other receivables. Credit risk is managed by placing funds with banks having good reputation. Credit risk on amounts due from related parties and other receivables and deposits are considered minimal. The Group has a policy

5 Financial risk management (continued)

(a) Credit risk (continued)

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below:

	2017	2016
	AED	AED
Short term deposits under lien	**17,747,174**	42,123,742
Trade receivables (refer note 10)	**90,178,265**	23,555,615
Other receivables and deposits (excluding prepayments)	**43,582,857**	9,423,081
Amounts due from related parties	**46,217,686**	55,735,916
Bank balances	**380,027,759**	148,986,717
	577,753,741	279,825,071

Impairment
The Group's other receivables, deposits and due from related parties are neither past due nor impaired. The ageing of trade receivables are as are as follows:

	2017	2016
	AED	AED
Past due 0-30 days	**48,667,627**	15,358,129
Past due 31-90 days	**18,825,070**	115,143
More than 90 days	**22,685,568**	8,082,343
	90,178,265	23,555,615
Less: Allowance for impairment losses	**(3,957,218)**	(5,110,151)
	86,221,047	18,445,464

Receivables considered doubtful have been fully provided. The remaining receivables are covered by adequate security.

Concentration risk:

The Group's cash at bank, trade receivables, other receivables and deposits, short-term deposits under lien are located in the UAE. (2016: The Group's cash at bank, trade receivables, other receivables and deposits, and short-term deposits under lien are located in the UAE). The Group's due from related parties are 100% concentrated in the Gulf Cooperation Council ("GCC") region (2016: 100% concentrated in the GCC region).

5 Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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. As part of liquidity management, the Group has availed bank borrowing facility from a commercial bank (note 15).

The following are the estimated undiscounted contractual cash flows and maturities of non-derivative financial liabilities excluding the impact of netting arrangement:

2017	**Carrying amount**	**Contractual cash flows**	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**
	AED	**AED**	**AED**	**AED**	**AED**	**AED**
Trade payables	**381,116,221**	**381,116,221**	**381,116,221**	**-**	**-**	**-**
Bank borrowing	**7,154,265**	**8,807,586**	**276,442**	**785,387**	**4,675,649**	**3,070,108**
Bank overdraft	**78,254,438**	**78,553,571**	**78,553,571**	**-**	**-**	**-**
Total	**466,524,924**	**468,477,378**	**459,946,234**	**785,387**	**4,675,649**	**3,070,108**

2016	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
	AED	AED	AED	AED	AED	AED
Trade payables	136,989,577	136,989,577	136,989,577	-	-	-
Bank borrowing	7,933,422	9,935,268	284,660	846,317	4,868,495	3,935,796
Bank overdraft	14,749,184	15,007,294	15,007,294	-	-	-
Total	159,672,183	161,932,139	152,281,531	846,317	4,868,495	3,935,796

(c) Market risk

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

i. 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 Company. Transactions denominated in United States Dollar ("USD") and other currencies do not carry significant currency risk.

5 Financial risk management (continued)

(c) Market risk (continued)

ii. Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Group manages the risk principally through monitoring interest rates prevailing in the market. The Group is exposed to interest rate risk on balances and borrowings with banks and on its trade receivables from margin trading.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2017	2016
	AED	AED
Financial assets		
- Fixed rate instruments	**17,747,174**	42,123,742
- Variable rate instruments	**84,792,381**	31,952,404
	========	========
Financial liabilities		
- Fixed rate instrument	-	-
- Variable rate instruments	**85,408,703**	22,682,606
	========	========

Cash flow sensitivity analysis for variable rate instruments

Change of 100 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. The analysis below excludes interest capitalised and assumes that all other variables remain constant.

	Effect on profit or loss	
	100 basis points increase AED	**100 basis points decrease AED**
Financial assets		
2017		
Variable rate instruments	**847,924**	**(847,924)**
	======	=======
2016		
Variable rate instruments	**319,524**	**(319,524)**
	======	=======
Financial liabilities		
2017		
Variable rate instruments	**(854,087)**	**854,087**
	=======	======
2016		
Variable rate instruments	(226,826)	226,826
	=======	======

5 Financial risk management (continued)

(c) Market risk (continued)

iii. Equity price risk

All investment securities are subject to price risk, the risk that future changes in market conditions may make an instrument less valuable. The Group's investments are recognised at fair value. Exposure to price risk is monitored by senior management on an ongoing basis to assess the impact of changes in market conditions.

Sensitivity

An increase of 10% in price as at the reporting date would have increased other comprehensive income and equity by AED 589,561 (2016: AED 625,999); an equal change in the opposite direction would have decreased other comprehensive income and equity by AED 589,561 (2016: AED 625,999).

(d) Fair values

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow methods and comparison to similar instruments for which market observable prices exist. In all other cases the instrument is measured at acquisition cost, including transaction costs, less impairment losses, if any. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date for an instrument with similar terms and conditions.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that 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. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., market input) 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 similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

5 Financial risk management (continued)

(d) Fair values (continued)

Fair value hierarchy (continued)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2017				
Investment securities				
- Available-for-sale	**2,141,668**	**-**	**3,753,946**	**5,895,614**
Total	**2,141,668**	**-**	**3,753,946**	**5,895,614**

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2016				
Investment securities				
- Available-for-sale	2,390,256	-	3,869,738	6,259,994
Total	2,390,256	-	3,869,738	6,259,994

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	2017 AED	2016 AED
Balance at 1 January	**3,869,738**	-
Transfer as a result of business combination (note 4)	**-**	3,869,738
Fair value loss on investment	**(115,792)**	-
Closing balance	**3,753,946**	3,869,738

During the year, there were no transfers between Level 1 & 2 and Level 3 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the year.

The table below presents sensitivity analysis of Group's investment measured under level 3 of fair value hierarchy as at 31 December 2017.

Description	Fair value at 31 December AED	Valuation techniques	Sensitivity +/- (%)	Change in valuation +/-
2017				**AED**
Available for sale investment	**3,753,946**	Net asset value	5%	187,697
2016				
Available for sale investment	3,869,738	Nett asset value	5%	193,487

5 Financial risk management (continued)

(d) Fair values (continued)

Financial instruments not measured at fair value

The fair values of financial instruments not recorded at fair value include deposit held under lien, trade and other receivables, cash and bank balances, trade and other payables, borrowings, overdraft balances and due from/ to related parties and are categorised as level three in the fair value hierarchy. The fair values of financial instruments not recorded at fair value are not materially different to their carrying values.

(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. There were no changes in the Group's approach to capital management during the year.

Regulatory capital

The Group's lead regulator, ESCA, sets and monitors the regulatory capital requirements of the Group. As per the recent amendment to the regulations, the Group's regulatory capital set by ESCA is AED 10 million for trading and clearing member license. 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 year.

(f) Operational risk

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

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

6 Property and equipment

	Furniture & fixture	Computer equipment	Machinery & equipment	Office equipment	Vehicles	Building	Capital work in progress	Total
	AED	**AED**	**AED**	**AED**	**AED**	**AED**	**AED**	**AED**
Cost								
At 1 January 2016	1,110,959	3,895,839	3,036,721	1,577,066	308,205	13,392,962	231,761	23,553,513
Acquired in business combination (note 4)	613,464	3,759,234	-	-	-	6,015,000	191,616	10,579,314
Additions	4,300	36,679	26,935	6,175	-	-	-	74,089
At 31 December 2016	**1,728,723**	**7,691,752**	**3,063,656**	**1,583,241**	**308,205**	**19,407,962**	**423,377**	**34,206,916**
Additions	46,150	69,405	263,815	77,613	-	-	2,946,112	3,403,095
Disposals	-	-	-	-	-	-	-	-
At 31 December 2017	**1,774,873**	**7,761,157**	**3,327,471**	**1,660,854**	**308,205**	**19,407,962**	**3,369,489**	**37,610,011**
Depreciation/ impairment								
At 1 January 2016	781,535	3,685,998	2,589,960	1,378,980	134,245	5,651,234	-	14,221,952
Acquired in business combination (note 4)	613,464	3,725,702	-	-	-	3,077,263	-	7,416,429
PPA adjustment	-	-	-	-	-	417,737	-	417,737
Charge for the year	62,779	119,030	200,585	38,394	77,054	649,298	-	1,147,140
At 31 December 2016	1,457,778	7,530,730	2,790,545	1,417,374	211,299	9,795,532	-	23,203,258
Charge for the year	66,419	163,456	171,211	44,490	77,050	1,050,299		1,572,925
At 31 December 2017	**1,524,197**	**7,694,186**	**2,961,756**	**1,461,864**	**288,349**	**10,845,831**	**-**	**24,776,183**
Net book value								
At 31 December 2017	**250,676**	**66,971**	**365,715**	**198,990**	**19,856**	**8,562,131**	**3,369,489**	**12,833,828**
Net book value								
At 31 December 2016	270,945	161,022	273,111	165,867	96,906	9,612,430	423,377	11,003,658

7 Investment properties

	Land	Property under construction	Total
Cost	**AED**	**AED**	**AED**
At 1 January 2017	**6,150,159**	**5,800,000**	**11,950,159**
Development expenditure	**-**	**193,597**	**193,597**
Impairment	**(150,159)**	**(893,597)**	**(1,043,756)**
Transfer to assets held for sale	**(6,000,000)**	**-**	**(6,000,000)**
At 31 December 2017	**-**	**5,100,000**	**5,100,000**
At 31 December 2016	**6,150,159**	5,800,000	11,950,159
Accumulated depreciation			
At 31 December 2017`	**-**	**-**	**-**
At 31 December 2016	-	-	-

The fair value of the Group's investment properties as at 31 December 2017 is AED 5.1 million based on unobservable market inputs (i.e. level 3).

8 Assets held for sale

In the year ended 31 December 2017, management committed to a plan to sell 20 plots of land located in emirates of Ajman classified as investment properties. Accordingly, these plots are presented as assets held for sale as at the reporting date. The sale has been completed subsequent to the year end in January 2018 for a total consideration of AED 6,000,000.

As at 31 December 2017, assets held for sale are stated at fair value less cost to sell.

9 Investment securities – available-for-sale

	2017	2016
	AED	AED
Investment in Dubai Financial Market shares (note 9.1)	**2,141,668**	2,390,256
Investment in National Mass Holding Company (note 9.2)	**3,753,946**	3,869,738
	5,895,614	6,259,994

9.1 This investment represents 1,912,203 shares of the Dubai Financial Market (DFM) held by the Group. These shares were allocated to the Group as part of DFM's Initial Public Offering at a cost of AED 1,969,568. The market value of these shares as at 31 December 2017 was AED 2,141,668 (31 December 2016: AED 2,390,256).

9 Investment securities – available-for-sale (continued)

9.2 This investment represents 2.5% of interest held in National Mass Holding Company ("NMHC"), a private joint stock company incorporated in the sultanate of Oman and primarily involved in real estate development.

10 Prepayments and other receivables

	2017 AED	2016 AED
Receivable from customers (note 10.1)	**90,178,265**	23,555,615
Provision for doubtful debt (note 10.2)	**(3,957,218)**	(5,110,151)
	86,221,047	18,445,464
Prepayments	**415,122**	1,805,105
Other receivables:		
Net settlement due from:		
- Dubai Financial Market	**29,494,407**	2,154,836
- Abu Dhabi Securities Exchange	**6,979,150**	30
- NASDAQ Dubai	**243,301**	-
Deposits	**812,467**	6,319,869
Receivable from brokers (note 10.3)	**5,152,944**	-
Others	**900,588**	948,346
	130,219,026	29,673,650

10.1 As at 31 December 2017, market value of securities held as collateral amounted to AED 231.9 million against those receivables (2016: AED 96.9 million)

10.2 Movement in allowance for impairment of receivables:

	2017 AED	2016 AED
Opening balance	**5,110,151**	-
Transfer as a result of business combination (note 4)	**-**	5,110,151
Reversal of provision	**(815,516)**	-
Write-off	**(337,417)**	-
Closing balance	**3,957,218**	5,110,151

10.3 Balance of AED 5,477,265 as at 31 December 2017 (31 December 2016: nil) represents money receivable from brokers for international trades made on behalf of the Group's customers.

11 Related parties

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 associates, joint ventures, parent, subsidiaries, entities under common control, 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 31 December 2017 and the significant transactions with related parties during the year are as follows:

Transactions during the year

	2017	2016
	AED	AED
Expenses incurred by related parties on behalf of the Group and recharged to the Group	**249,417**	3,042,754
	========	========
Expenses incurred by the Group on behalf of related parties recharged to related parties	**4,611,160**	21,874,280
	========	========
The salary and benefits provided to key management Personnel	**5,584,914**	1,912,882
	========	========
Commission income earned from Mubasher Financial Services BSC for trades executed on behalf of its customers. (note 11.3)	**3,762,444**	3,702,006
	========	========

Balances with related parties as at 31 December 2017 are as follows:

	2017	2016
	AED	AED
Amount due from related parties		
Direct FN Limited (note 11.1)	**13,738,631**	13,038,265
Arabic Computer Systems Ltd. (note 11.1)	**3,317,316**	3,312,016
Mubasher for Securities – Egypt (note 11.1)	**78,560**	78,560
Direct Broker Co. KSA (note 11.1)	**3,575,750**	3,540,980
Mubasher Financial Services BSC (note 11.1 and 11.3)	**8,366,698**	5,293,380
Mubasher Holding Ltd. DIFC (note 11.1)	**55,313**	52,313
Direct Broker International (note 11.1)	**15,982,862**	16,105,005
Amount receivable from Mubasher Financial Services BSC for balances receivable from the clients referred by them	**-**	8,104,283
Amount receivable from a shareholder	**-**	6,211,114
Al Safwa Mubasher Asset Management (11.1)	**1,033,435**	-
MFS – DIFC (note 11.1)	**26,894**	-
Others (note 11.1)	**42,227**	-
	-------------	-------------
	46,217,686	55,735,916
	========	========

11 Related parties (continued)

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

11.2 During the year, the company executed a trade between Mubasher Financial Services BSC, Mubasher Holding Limited and Direct Broker Co. The Group waived its share of commission on this trade on the transaction date. This was also ratified by the Group and the related parties in a formal agreement dated 19 June 2018.

11.3 The Group has an Executing Broker agreement with Mubasher Financial Services BSC ("MFS BSC") to provide brokerage services on behalf of MFS BSC's 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.

12 Cash and bank balances

	2017 AED	2016 AED
Cash at bank		
- Group's deposits	**1,781,080**	24,529,605
- Cash in hand	**14,412**	35,414
- Customers' deposits (note 12.1)	**378,246,679**	124,457,112
Cash at bank	**380,042,171**	149,022,131
Bank overdraft (note 12.2)	**(78,254,438)**	(14,749,184)
Customer deposits	**(378,246,679)**	(124,457,112)
Cash and cash equivalents	**(76,458,946)**	9,815,835

12.1 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 is not available to the Group other than to settle transactions executed on behalf of such customers.

12.2 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%.

13 Share capital

	2017 Number of shares	2016 Number of shares
In issue at 1 January	**563,841,748**	129,841,748
Issued to effect business combination	**-**	434,000,000
In issue at 31 December	**563,841,748**	563,841,748
Total paid in capital (AED)	**563,841,748**	563,841,748

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.

13 Share capital (continued)

Merger reserve

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

The calculation for balances outstanding on the merger reserve as at 31 December 2017, 31 December 2016 and 1 January 2016 is shown in the table below.

	As at 31 December 2017 AED	As at 31 December 2016 AED	As at 1 January 2016 AED
Share capital of MFS transferred to merger reserve	**31,000,000**	31,000,000	31,000,000
Less: share capital of Safwa outstanding	**(129,841,748)**	(129,841,748)	(129,841,748)
Add: statutory reserve of MFS	**14,221,038**	14,221,038	14,221,038
Less statutory reserve of Safwa	**(3,631,718)**	(3,631,718)	(3,631,718)
Less: increase in share capital of Safwa	**(434,000,000)**	(434,000,000)	-
Add: Purchase consideration in business combination	**129,841,748**	129,841,748	-
Add: treasury shares of Safwa	**2,000,000**	2,000,000	2,000,000
Total	**(390,410,680)**	(390,410,680)	(86,252,428)

The movement in the merger reserve for the year ended 31 December 2017 is disclosed in the consolidated statement of changes in equity.

14 Legal reserve

The legal reserve of the current and comparative years are those of Safwa, which is the legal acquiree. In accordance with UAE Federal Law, 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. No transfers were made during the year on account of losses incurred by the Group.

15 Bank borrowings

In 2008, the Group was granted a forward ijarah facility from an 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 3% p.a. and is secured by a first-degree registered mortgage over the property.

15 Bank borrowings (continued)

As at 31 December 2017 the outstanding balance amounts to AED 7,111,594 (2016: AED 7,828,729). Non-current outstanding amount as at 31 December 2017 is AED 6,394,458 (2016: AED 7,111,594) and current outstanding amount as at 31 December 2017 is AED 717,136 (2016: AED 717,136).

In 2014 the Group was granted a vehicle loan of AED 221,589 repayable in 48 monthly instalments. Non-current outstanding amount as at 31 December 2017 is NIL (2016: AED 13,029) and current outstanding amount as at 31 December 2017 is AED 13,035 (2016: AED 52,140).

In 2015, the Group was granted a vehicle loan of AED 65,879 repayable in 60 monthly instalments. Non-current outstanding amount as at 31 December 2017 is AED 16,460 (2016: AED 26,348) and current outstanding amount as at 31 December 2017 is AED 13,176 (2016: AED 13,176).

16 Employees' end of service benefits

The movement in end of service benefits is as follows:

	2017	2016
	AED	AED
Provision at the beginning of the year	**2,844,245**	1,386,423
Acquired through business combination	**-**	534,874
Charge for the year	**761,576**	1,184,790
Pay outs	**(1,378,247)**	(261,842)
Provision at the end of the year	**2,227,574**	2,844,245

17 Trade and other payables

	2017	2016
	AED	AED
Trade payables (note 17.1)	**376,024,162**	123,712,188
Net settlement due to:		
- Dubai Financial Market	**1,571,606**	8,129,009
- Abu Dhabi Securities Exchange	**28,609**	2,457,326
- Nasdaq Dubai	**-**	64,189
- Other settlement accounts	**10,985**	-
Other payables and accruals (note 17.2)	**3,480,859**	2,626,865
	381,116,221	136,989,577

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

17 Trade and other payables (continued)

17.2 As at 31 December 2016, other payables and accruals included a provision of AED 130,492 recognised in relation to a court judgement. Based on a final judgment dated 14 August 2017, the Group was instructed to compensate the plaintiff for the said amount and accordingly this provision has been settled in full in the current period.

18 Contingent liabilities

The Group has arranged the following bank guarantees to:

	2017	2016
	AED	AED
Abu Dhabi Securities Exchange (ADX)	**30,000,000**	45,000,000
Dubai Financial Markets (DFM)	**50,000,000**	59,000,000
NASDAQ Dubai Limited (NASDAQ)	**5,527,500**	-
	85,527,500	104,000,000

The guarantees issued are secured by fixed deposits of AED 17,747,174 (2016: AED 42,123,742).

19 Commitments

Capital commitments

	2017	2016
	AED	AED
Development expenditure on investment property (note 19.1)	**281,507**	1,038,196
Other capital commitment (note 19.2)	**187,252**	2,695,000
	468,759	3,733,196

19.1 The Group has a commitment of development expenditure on investment properties amounting to 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.

19.2 On 1 December 2016, the Group entered into an agreement with a third party to pay AED 2.69 million for fit out work on the office premises purchased in Dubai. As at the reporting date the Group has paid AED 2.51 million as per the agreement.

19 Commitments (continued)

Lease commitments

At 31 December 2017, the annual commitments under non-cancellable operating leases were as follows:

	2017	2016
	AED	AED
Less than one year	**-**	270,117
	======	======

20 Commission income

	2017	2016
	AED	AED
Gross commission income	**37,076,471**	36,629,300
Less: Discount to MFS BSC for trades executed on behalf of its customers	**(16,947,797)**	(19,435,532)
	--------------	---------------
Commission income	**20,128,674**	17,193,768
	========	=========

21 Administrative and general expenses

	2017	2016
	AED	AED
Staff cost	**15,929,476**	9,239,137
Trading expenses	**5,343,648**	3,768,919
Depreciation	**1,572,924**	1,147,140
Amortization	**790,000**	-
Rent	**623,661**	601,694
Sales and marketing expenses	**21,452**	17,397
Legal and professional expenses	**369,611**	264,130
Registration and licensing	**1,128,033**	574,314
Communication	**573,802**	416,409
Travelling expenses	**293,420**	263,827
Repair and maintenance expenses	**258,381**	74,210
Property insurance and service charges	**205,682**	331,373
Other expenses	**105,056**	485,005
	--------------	-------------
	27,215,146	17,183,555
	========	========

22. Earnings per share

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

22. Earnings per share (continued)

	2017 AED	2016 AED
Loss for the year	**(8,375,441)**	(600,415)
	=========	=========
Weighted average number of shares	**563,841,748**	157,189,693
Basic and diluted loss per share (AED per share)	**(0.02)**	(0.00)
	========	=======

23. Comparatives

Certain comparative figures have been reclassified to conform to the current year presentation and to reflect the final Purchase Price Allocation of the identifiable net assets of Al Safwa. These reclassifications did not have a material impact on profit or loss.

24. Subsequent events

The Group's previous consolidated financial statements were approved on 26 April 2018 on which the external auditor had expressed a qualified audit opinion. The qualification had arisen on account of a board resolution dated 1 March 2018 which nullified the revenue sharing basis with MFS BSC, for trades executed on behalf of its customers, retrospectively from the merger date. Subsequent to this resolution, in the absence of any formal agreement between MFS BSC and the Group, the external auditor was unable to obtain sufficient and appropriate audit evidence to determine whether the commission income earned from MFS BSC was presented fairly, in all material respects, for the year ended 31 December 2017.

Moreover, the audit report on the consolidated financial statements was also qualified with respect to additional commission income recorded from a trade executed during the year between related parties, for which the commission was initially waived by the Group on the transaction date. The recognition of such income was ratified via a Board resolution dated 22 April 2018. However, in the absence of any formal confirmation from the related parties over the commission income booked, the external auditor was unable to obtain sufficient and appropriate audit evidence to establish the Group's rigth over such additional income.

Subsequent to 26 April 2018, the Group has entered into the following agreements:

- Executing Broker agreement with MFS BSC which sets out the commission sharing basis for trades executed on behalf of MFS BSC's customers. The agreement is applicable retrospectively from the merger date.

- An agreement with the related parties ratifying the waiver of commission income on the transaction date for the trade executed on their behalf.

The Group has amended its financial statements in line with the agreements above and provided the external auditor with the relevant audit evidence required.