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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

Consolidated financial statements

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Al Salam Alaikum,

On behalf of my colleagues and members of the Board of Directors, I am pleased to present with you the annual report of Al Ramz Corporation Investment and Development (the "Group") and to review the results of the Group for 2020.

2020 was a challenging year for businesses around the globe. The COVID-19 Pandemic and concerted global shutdowns were a testament to the global cooperation of countries in tackling a global problem. However, the shutdowns also put businesses under pressure and accelerated the global adoption of technology for businesses around the world. Financially, central banks also responded to the challenge introducing unprecedented liquidity into the system, multiple times larger than any other crises in human history. M2 Money supply grew by over $15 trillion for the world's largest economies in 2020. In comparison, from the end of 2008 to the end of 2009, the same Group grew their money supply by about $6.5 trillion. In response to all these unprecedented events and actions, 2020 witnessed capital markets experience some volatility not seen in our lifetime. Nasdaq went from down 22.5% in the year to closing the year up 47.6%.

2020 also saw the culmination of multiple factors that were building over the years, which pushed retail investors in droves back into capital markets. The retail investors' effect on capital markets in 2020 is undeniable. Dislocations in prices across asset classes began with Oil prices dipping below zero and closing as low as -$37 in April 2020 as ballooned oil ETF's from retail inflows rolling positions in an environment of strained storage caused markets to misprice assets in an unprecedented way. Oil has since bounced back, but dislocations in asset prices moved to other parts of the markets. Markets will eventually adapt to the active retail investors' presence as it might be here with us for some time. In the meantime, growth in volumes continue to grow strongly with US equity volumes up over 50% in 2020.

The global economy ended the year contracting around 4.3% in 2020 according to the World Bank, and their baseline case for 2021 is a growth of 4% on the back of the vaccine rollouts around the world. These institutions are expecting the volatility of 2020 to look like a short-term glitch in the rearview mirror of the global economy in only a few years. However, for us who went through it we will take with us all the valuable lessons it taught us and at the top of that list is the importance of technology in everything that we do.

For the UAE, 2020 was a testament of the adaptability and flexibility of its public policy. Leadership was vigilant in dealing with the pandemic right from its onset. Their dedication to the citizens and residents of this country showed the strength of their commitment to protect and serve their population. In 2020, the UAE was at the forefront of the countries in testing its residents to help contain the virus. Today, the UAE leads the world in vaccinating its population. These developments have reinforced the UAE's position in the global community.

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Economically, the UAE is expected to be more or less in line with the global economy in 2020 with GDP contracting about 6.3% for 2020, according to the World Bank. In the next few years, the UAE is also expected to rebound from the pandemic at an accelerated pace as the vaccination drive across the country in the first half of 2021 coupled with the Expo in the latter part of the year will kick start our economic bounce back. The backdrop of low interest rates not seen since the 2011 lows, will fuel the private sector and real-estate sector in the country to fuel the growth over the next few years. The UAE is positioned for an accelerated bounce back from 2020 as all the ingredients for growth come back in play starting in 2021. The UAE stock market has already signaled this positive outlook with the UAE indexes already outperforming in the EMEA and EM region in 2021. The UAE stock market continues to be in a unique position globally, where its benefiting from a global repositioning into emerging markets equities as well as renewed government support all amidst a still relatively attractive market in terms of valuations.

With this backdrop, Al Ramz was successful in preserving its revenue generation as it reported AED 62.8 million compared to AED 62.3 million in the previous year. This strong delivery was, however, eclipsed by a loss on investments to the effect of AED 31.0 million resulting in a net loss for the year of AED 10.9 million compared to a profit of AED 4.1 million in the previous year.

Under the circumstances, Al Ramz was remarkably successful in responding to the COVID19 pandemic. The Group swiftly transitioned to operating remotely for its entire workforce at early stage ensuring the highest safety standards and safeguarding the financial interest of our stakeholders which is a testimony to the state of the IT infrastructure in the Group.

The Group also optimized its balance sheet as it reduced leverage leading to risk profile enhancement. Further, the quality of earnings improved by AED 1.7 million as diversification of revenue sources continued to favorably impact earnings including market making, liquidity provision, fund management and fixed income. The Group took a prudent approach in its assessment of receivables and recorded AED 7.2 million during 2020.

Additionally, I am pleased to report strong progress on the delivery of our strategy as well as our value proposition and customer reach as we journey to become a leading regional investment institution.

Finally, we extend our appreciation and gratitude to His Highness Sheikh Khalifa bin Zayed bin Sultan Al Nahyan, President of the United Arab Emirates, the Supreme Commander of the Armed Force and to His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and ruler of Dubai, His Highness Sheikh Mohammed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and Deputy Supreme Commander of the Armed Forces and the members of the Supreme Council of Rulers of the UAE. Under their leadership, UAE set the par very high for countries around the world on dealing with disasters and we pray to Allah to keep our leaders and UAE safe, secure and successful.

Dhafer Sahmi Al Ahbabi
Chairman of Board of Directors

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Ramz Corporation Investment and Development PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 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 *Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

Key audit matters continued

Revenue recognition

The Group's major revenue streams arise from commission income, margin income, corporate finance and advisory income. During the year ended 31 December 2020, the Group recognized AED 62,127 thousand from these revenue streams.

Revenue recognition is significant to the consolidated financial statements due to the quantitative materiality of the amounts recorded and the related qualitative factors such as high volume of transactions, market trends and its susceptibility of manipulation through manual postings.

How our audit addressed the area of focus

- We gained an understanding of the Group's revenue recognition accounting policies to assess its compliance with the relevant accounting standards;
- We agreed a sample of transactions to underlying accounting records including deal tickets and agreements to test whether the related revenues were appropriately recorded;
- We performed analytical procedures using disaggregated data by matching total value of trading with relevant exchange market reports to assess the reasonability of revenue recognized;
- We performed recalculation of margin income on a sample basis using underlying data, such as contracts, and compared the results with the income recorded by the Group to assess its appropriateness;
- We made inquiries from trading and marketing personnel for any unusual transactions or similar items.

Other information

Other information consists of the information included in the report of the Board of Directors, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT PJSC continued

Report on the Audit of the Consolidated Financial Statements continued

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 in compliance with the applicable provisions of the Articles of Association of the Company and 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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Report on the Audit of the Consolidated Financial Statements continued

Auditor's responsibilities for the audit of the consolidated financial statements continued

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

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

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

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

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

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter
The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 19 February 2020.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL RAMZ CORPORATION INVESTMENT AND DEVELOPMENT PJSC continued

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

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

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

iii) the Group has maintained proper books of account;

iv) the consolidated financial information included in the Board of Directors' report is consistent with the books of account and records of the Group;

v) investments in shares and stocks are included in note 18 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2020;

vi) note 29 reflects the material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2020, any of the applicable provisions of its Articles of Association or of the UAE Federal Law No. (2) of 2015 which would have a material impact on its activities or its consolidated financial position as at 31 December 2020; and

viii) there was no social contribution made during the year.

Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No 811

22 February 2021
Abu Dhabi

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

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December

	Note	**2020 AED'000**	2019 AED'000
Net commission income	*9*	**15,841**	13,264
Finance income from margin receivables		**28,423**	40,710
Finance income from deposits		**4,389**	2,675
Finance cost		**(6,044)**	(8,731)
Net finance income		**26,768**	34,654
Corporate finance, advisory and other income	*10*	**27,349**	14,570
Investment loss, net	*11*	**(31,011)**	(16,723)
General and administrative expenses	*12*	**(42,656)**	(41,456)
Provision for expected credit losses	*16*	**(7,162)**	(234)
(Loss) / profit for the year		**(10,871)**	4,075
Other comprehensive income		**-**	-
Total comprehensive (loss) / income for the year		**(10,871)**	4,075
Basic and diluted (losses) / earnings per share (AED)	*32*	**(0.020)**	0.007

The notes numbered 1 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of financial position

as at 31 December

	Note	2020 AED'000	2019 AED'000
Assets			
Non-current assets			
Property and equipment	*14*	**26,129**	27,147
Goodwill	*13*	**24,570**	24,570
Investment property		**1,000**	1,220
Right of use asset		**1,344**	-
		53,043	52,937
Current assets			
Margin and trade receivables	*16*	**252,099**	472,439
Other assets		**3,064**	5,195
Guarantee deposits	*17*	**14,750**	31,064
Due from securities markets	*20*	**632**	623
Investments at fair value through profit or loss	*18*	**179,079**	206,379
Bank balances and cash	*19*	**392,760**	186,727
		842,384	902,427
Total assets		**895,427**	955,364
Equity and liabilities			
Equity			
Share capital	*21*	**549,916**	549,916
Acquisition reserve	*22*	**(283,966)**	(283,966)
Statutory reserve	*23*	**80,582**	61,057
General reserve	*24*	**-**	19,525
Retained earnings		**120,336**	131,207
Total equity		**466,868**	477,739
Non-current liabilities			
Employees' end of service benefits	*25*	**4,803**	5,059
Lease liability		**1,317**	-
		6,120	5,059
Current liabilities			
Accounts payable and accruals	*26*	**205,968**	153,528
Due to securities markets	*20*	**26,700**	2,559
Short term borrowings	*27*	**189,771**	316,479
		422,439	472,566
Total liabilities		**428,559**	477,625
Total equity and liabilities		**895,427**	955,364

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

Chairman | Managing Director | Chief Operating Officer

The notes numbered 1 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of changes in equity

for the year ended 31 December

	Share Capital AED'000	Acquisition reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2019	549,916	(283,966)	60,649	19,525	127,540	473,664
Total comprehensive income for the year	-	-	-	-	4,075	4,075
Transfer to statutory reserve	-	-	408	-	(408)	-
Balance at 31 December 2019	549,916	(283,966)	61,057	19,525	131,207	477,739
Balance at 1 January 2020	**549,916**	**(283,966)**	**61,057**	**19,525**	**131,207**	**477,739**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(10,871)**	**(10,871)**
Transfer to statutory reserve	**-**	**-**	**19,525**	**(19,525)**	**-**	**-**
Balance at 31 December 2020	**549,916**	**(283,966)**	**80,582**	**-**	**120,336**	**466,868**

The notes numbered 1 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows

for the year ended 31 December

	Note	2020 AED'000	2019 AED'000
Cash flows from operating activities			
(Loss) / Profit for the year		**(10,871)**	4,075
Adjustments for:			
Depreciation		**3,460**	2,352
Provision for employees' end of service benefits		**1,161**	1,061
Finance income from deposits		**(4,389)**	(2,675)
Finance costs		**8,868**	16,129
Unrealised loss on investments at fair value through profit or loss		**22,347**	18,402
Net impairment loss on investment property		**220**	20
Dividend income		**(1,707)**	(7,562)
Provision for expected credit loss, net		**6,393**	(566)
Bargain purchase option on acquisition		**(3,858)**	-
Gain on disposal of property and equipment		**-**	(19)
Depreciation of right of use asset		**14**	-
		21,638	31,217
Changes in:			
Margins and trade receivables		**215,500**	63,710
Other assets		**2,914**	10
Guarantee deposits		**16,314**	(164)
Due from securities markets		**(9)**	8,102
Due to securities markets		**24,141**	1,268
Accounts payable and accruals		**45,319**	8,777
Cash from operating activities		**325,817**	112,920
Employees' end of service benefits paid		**(3,039)**	(1,436)
Finance costs paid		**(8,868)**	(16,129)
Net cash flows from operating activities		**313,910**	95,355
Cash flows from investing activities			
Purchase of property and equipment		**(2,437)**	(5,632)
Proceeds from disposal of property and equipment		**-**	49
Interest income received		**4,389**	2,675
Dividend income received		**1,707**	7,562
Purchase of investments at fair value through profit or loss		**(164,265)**	(230,119)
Proceeds from sale of investments at fair value through profit or loss		**169,218**	263,961
Acquisition of subsidiary, net of cash acquired		**10,260**	-
Increase in deposits maturing after 3 months		**(59,597)**	(33,006)
Net cash flows (used in) / from investing activities		**(40,725)**	5,490
Cash flows from financing activities			
Loan settlements		**(136,926)**	(115,609)
Payment of principal portion of lease liabilities		**(41)**	-
Proceeds from borrowings		**9,799**	26,975
Net cash flows used in financing activities		**(127,168)**	(88,634)
Net increase in cash and cash equivalents		**146,017**	12,211
Cash and cash equivalents at the beginning of the year		**28,775**	16,564
Cash and cash equivalents at the end of the year	*19*	**174,792**	28,775

The notes numbered 1 to 35 form an integral part of these consolidated financial statements.

1. Corporate information

Founded in 1998, Al Ramz Corporation Investment and Development P.J.S.C (the "Company") is a UAE domiciled public joint stock company listed on the Dubai Financial Market and regulated by the UAE Securities and Commodities Authority as well as the Dubai Financial Services Authority. Al Ramz is a premier financial institution providing a broad spectrum of services including asset management, corporate finance, brokerage, lending, market making, liquidity providing and research.

The main activities of the Company and its subsidiaries (together referred to as the "Group") are to invest and manage commercial, industrial and agricultural enterprises and to provide brokerage services including brokerage in selling and buying shares, margin trading, market making and liquidity providing and to perform all related transactions and activities. The Company's registered office is P.O. Box 32000, Dubai, United Arab Emirates.

These consolidated financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 22 February 2021.

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, other financial assets and liabilities held for trading, financial assets and liabilities designated at fair value through profit or loss (FVPL) and investment property which are measured at fair value at the reporting date.

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), and all values are rounded to the nearest thousand dirhams, except where otherwise indicated.

3. Statement of compliance

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

4. Presentation of consolidated financial statements

The Group presents its consolidated statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 30.

5. Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amendments to standards, effective as of 1 January 2020. Management believes that these amendments do not have a material impact on the annual consolidated financial statements of the Group.

- *Amendments to IFRS 3: Definition of a Business;*
- *Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform;*
- *Amendments to IAS 1 and IAS 8 Definition of Material;*
- *Amendments to IFRS 16 Covid-19 Related Rent Concessions; and*
- *Conceptual Framework for Financial Reporting*

6. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020 including controlled structured entities. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, 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.

Generally, there is a presumption that majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an entity and therefore controls the variability of its returns, The Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the group can direct those activities
- Whether the Group is exposed, or has rights, to variable returns from its involvements with the investee, and has the power to affect the variability of such returns.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date of loss of control.

Disclosures for the investment in subsidiaries, structured entities, securitisations and asset management activities are provided in note 34.

6. Basis of consolidation *(continued)*

A. Basis of consolidation

i. Business combinations

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

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

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

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

Reverse acquisition accounting requires calculation of deemed purchase consideration, which requires management to determine the shares exchange ratio and fair value of shares exchanged. This has been accounted for as acquisition reserve.

ii. Subsidiaries

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

7. Summary of significant accounting policies

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

7.1 Foreign currency translation

Functional and presentational currency
The consolidated financial statements are presented in in United Arab Emirates Dirhams ("AED"). For each entity in the group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the consolidated statement of profit and loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

7.2 Recognition of interest income

i. The effective interest rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the margin exposure. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the consolidated statement of financial position with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method.

7. Summary of significant accounting policies *(continued)*

7.2 Recognition of interest income *(continued)*

***i. The effective interest rate method** (continued)*

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

ii. Finance and similar income/expense

Net finance income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the consolidated statement of profit and loss and other comprehensive income for both finance income and finance expense to provide symmetrical and comparable information.

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

7.3 Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not include multiple performance obligations, as explained further in note 7.3.i and note 7.3.ii.

When the Group provides a service to its customers, consideration is invoiced, and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in note 7.3.i and note 7.3.ii.)

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

7. Summary of significant accounting policies *(continued)*

7.3 Fee and commission income *(continued)*

i. Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include asset management services where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's fee and commission income from services where performance obligations are satisfied over time include the following:

Asset management fees
Management fees are invoiced monthly and determined based on a fixed percentage of the net asset value of the funds under management based on the average net asset value monthly. The fees generally crystallise at the end of each month and are not subject to a clawback. Consequently, revenue from management fees is generally recognised at the end of each month.

Performance fees are based on returns in excess of a specified benchmark market return, over the contract period. Performance fees are typically received at the end of the performance period specified in the contract. The Group recognises revenue from performance fees over the contract period, but only to the extent that it is highly probable that a significant reversal of revenue will not occur in subsequent periods.

ii. Fee and commission income from services where performance obligations are satisfied at a point in time

Services provided where the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, and brokerage fees. The Group has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Corporate finance fees
Corporate finance services are related to mergers and acquisitions support, where the Group provides financial, legal and transaction advisory services. The fees earned in exchange for these services are recognised at the point in time the transaction is completed because the customer only receives the benefits of the Group's performance upon successful completion of the underlying transaction. The Group is only entitled to the fee on the completion of the transaction.

Corporate finance fees are a variable consideration. The Group estimates the amount to which it will be entitled to but constrains that amount until it is highly probable that including the estimated fee in the transaction price will not result in a significant revenue reversal, which generally occurs upon successful completion of the underlying transaction.

7. Summary of significant accounting policies *(continued)*

7.3 Fee and commission income *(continued)*

ii. Fee and commission income from services where performance obligations are satisfied at a point in time. *(continued)*

Brokerage fees
The Group buys and sells securities on behalf of its customers and receives a fixed commission, for each transaction. The Group's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

iii. Contract balances

As at 31 December 2020, the Group did not have any contract assets or liabilities related to brokerage services provided.

7.4 Net loss on financial assets and liabilities designated at fair value through profit and loss

Net loss on financial instruments at FVTPL represents fair value changes, interest, dividends and foreign exchange differences relating to non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9.

7.5 Financial instruments – initial recognition

i. Date of recognition

Financial assets and liabilities are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the times frame generally established by regulation or convention in the marketplace. Margins to customers are recognized when the securities are bought and funds are charged against the customers' accounts.

ii. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments in notes 7.7.1.i and 7.7.1.ii. Financial instruments are initially measured at their fair value (as defined in note 7.7), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, subtracted from, this amount.

Trade receivables without significant financing component are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

7. Summary of significant accounting policies *(continued)*

7.5 Financial instruments – initial recognition *(continued)*

iii. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

iv. Measurement categories of financial assets and liabilities

The Group classified all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost, as explained in note 7.7.1
- FVTPL, as set out note 7.7.5

The Group classifies and measures its derivatives and trading portfolio at FVPL, as explained in note 7.7.2. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note 7.7.5.

Financial liabilities, other than financial guarantees, are measured at amortised cost or FVPL when they are held for trading and derivative instruments.

7.6 Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the consolidated statement of financial position date.

- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.

7. Summary of significant accounting policies *(continued)*

7.6 Determination of fair value *(continued)*

- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

The Group evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

7.7 Financial assets and financial liabilities

7.7.1 Margin receivables and trade receivables at amortized cost

The Group measures margin receivables and trade receivables at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

i. Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and how the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking; worst case; or stress case; scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

7. Summary of significant accounting policies *(continued)*

7.7 Financial assets and financial liabilities *(continued)*

7.7.1 Margin receivables and trade receivables at amortized cost (continued)

ii. The SPPI test

As a second step of its classification process, the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

7.7.2 Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

7.7.3 Financial assets or financial liabilities held for trading

The Group classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the consolidated statement of financial position at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income. Interest income is recorded in investment income according to the terms of the contract, or when the right to payment has been established.

7. Summary of significant accounting policies *(continued)*

7.7 Financial assets and financial liabilities *(continued)*

7.7.4 Borrowed funds

After initial measurement, borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

7.7.5 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis

Or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Or

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate, as explained in note 7.2. Dividend income from equity instruments measured at FVPL is recorded in consolidated statement of profit or loss and other comprehensive income as investment income when the right to the payment has been established.

7.8 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

7. Summary of significant accounting policies *(continued)*

7.9 Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether to derecognise a margin extended to a customer, amongst others, the Group considers the following factors:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Derecognition other than for substantial modification

i. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement.

7. Summary of significant accounting policies *(continued)*

7.9 Derecognition of financial assets and liabilities *(continued)*

***Derecognition other than for substantial modification** (continued)*

***i. Financial assets** (continued)*

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset
  Or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

7. Summary of significant accounting policies *(continued)*

7.9 Derecognition of financial assets and liabilities *(continued)*

***Derecognition other than for substantial modification** (continued)*

ii. Financial liabilities

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

7.10 Offsetting of financial assets and financial liabilities

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

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

7.11 Impairment of financial assets

Financial assets not classified as at FVTPL are assessed for impairment at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indications that a debtor or issuer will enter bankruptcy or adverse changes in the payment status of a borrower.

Financial instruments

The group recognizes loss allowances for ECLs on:

- Margin and trade receivables;
- Guarantee deposits;
- Due from securities markets and bank balances.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt instrument that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

7. Summary of significant accounting policies *(continued)*

7.11 Impairment of financial assets *(continued)*

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable date;

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider other wise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets carried at amortised cost are deducted from the gross carrying amount of the assets.

7. Summary of significant accounting policies *(continued)*

7.12 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash and securities collateral, unless repossessed, and is not recorded on the Group's consolidated statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

7.13 Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

7.14 Write-offs

Financial assets are written off either partially or in their entirety only when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to general and administrative expenses, if any.

7.15 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

7.16 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

7. Summary of significant accounting policies *(continued)*

7.16 Leases *(continued)*

i. ***Group as a lessee*** *(continued)*

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are subject to impairment in line with the Group's policy.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

7.17 Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Office premises	30 years
Office equipment	5 years
Motor vehicles	5 years
Furniture and fixtures	5 years

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (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 and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

7. Summary of significant accounting policies *(continued)*

7.18 Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the consolidated statement of profit or loss and other comprehensive income within other income. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee. Valuation of investment property is classified under Level 3 using sales comparable method. Refer note 31 for Fair value hierarchy.

7.19 Impairment of 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 that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

7.20 Goodwill

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss and other comprehensive income as a Bargain Purchase Option gain.

7. Summary of significant accounting policies *(continued)*

7.20 Goodwill *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

7.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement in other operating expenses.

7.22 Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

7.23 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders.

7.24 Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees, employees in accordance with the provisions of the applicable Labour law of the UAE. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

7.25 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

7. Summary of significant accounting policies *(continued)*

7.26 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective;

- IFRS 17 Insurance contracts;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;
- Reference to the Conceptual Framework – Amendments to IFRS 3;
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter;
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities; and
- IAS 41 Agriculture – Taxation in fair value measurements.

The Company does not expect these new standards and amendments to have any significant impact on the financial statements, when implemented in future periods.

8. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

8.1 Impairment losses on financial assets

An estimate of the collectible amount of margin and trading receivables is made on an individual basis.

At the consolidated statement of financial position date, gross margin and trading receivables were AED 250,183 thousand *(2019: AED 327,865 thousand)* and AED 11,201 thousand *(2019: AED 147,466 thousand)* respectively. The provision for expected credit losses was AED 4,832 thousand *(2019: AED nil)* and AED 4,453 thousand *(2019: AED 2,892 thousand)* respectively Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognized in the consolidated statement of profit or loss and other comprehensive income.

8. Significant accounting judgements, estimates and assumptions *(continued)*

8.2 Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

8.3 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has a lease contract that includes an extension and termination option. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

8.4 Investment in asset management activities

The Group acts as fund manager to Sky One Money Market Fund. Determining whether the Group controls such a money market fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investors' rights to remove the fund manager.

For that fund that is managed by the Group, the Group's aggregate economic interest in the fund is less than 13%. As a result, the Group has concluded that it acts as agent for the investors, and therefore has not consolidated this fund.

9. Net commission income

	2020 AED'000	2019 AED'000
Abu Dhabi Exchange Market	**6,833**	5,892
Dubai Financial Market	**8,465**	7,548
Fixed income	**694**	-
NASDAQ	**59**	96
Over the Counter and others	**37**	34
Rebates and discounts	**(247)**	(306)
	15,841	13,264

a. Disaggregation of net commission income

In the following table, commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated net commission income with the Group's reportable segments:

	2020 AED'000	2019 AED'000
Major service lines		
Brokerage – Primary markets	**15,804**	13,230
Brokerage – Over the counter and others	**37**	34
Total net commission income from contracts with customers	**15,841**	13,264

b. Contract balances

As at 31 December 2020, the Group did not have any contract assets or liabilities related to brokerage services provided.

10. Corporate finance, advisory and other income

	2020 AED'000	2019 AED'000
Corporate finance income	**17,862**	8,730
Management and performance fees	**1,802**	2,112
Liquidity providing fees	**3,333**	1,816
Bargain purchase	**3,857**	-
Other income	**495**	1,912
	27,349	14,570

10. Corporate finance, advisory and other income *(continued)*

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

In the following table, corporate finance and advisory income, management and performance fees, and liquidity providing fees from contracts with customers in the scope of IFRS 15 is disaggregated by major type of services. The table also includes a reconciliation of the disaggregated these revenue streams with the Group's reportable segments:

	2020 **AED'000**	2019 AED'000
Major service lines		
Transaction, advisory and restructuring services	**17,862**	8,730
Management and performance fees on assets under management	**1,802**	2,112
Fees from liquidity providing	**3,333**	1,816
Total income from contract with customers	**22,997**	12,658

Corporate finance income includes income earned by the Group on services including transaction, advisory and restructuring services.

Management and performance fees include fees earned by the Group on trust and fiduciary activities in which the Group holds or invests assets on behalf of its customers.

b. Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	2020 **AED'000**	2019 AED'000
Trade Receivables which are included in 'Trade receivables'	**6,063**	17,858
Contract liabilities, which are included in 'Trade payables'	**973**	5,000

11. Investment loss, net

	2020 **AED'000**	2019 AED'000
Unrealised loss on investments at fair value through profit of loss *(note 18)*	**(22,347)**	(18,402)
Realised (loss) / gain on investments at fair value through profit or loss	**(7,445)**	2,508
Dividend income	**1,707**	7,562
Custody and service fees	**(102)**	(993)
Finance costs	**(2,824)**	(7,398)
	(31,011)	(16,723)

12. General and administrative expenses

	2020 **AED'000**	2019 AED'000
Staff costs	**30,277**	28,631
Depreciation *(note 14)*	**3,460**	2,352
Subscription and membership	**2,794**	2,666
IT expenses	**1,316**	1,209
Advertisements and marketing	**451**	1,171
Communication expense	**522**	515
Legal expenses	**446**	700
Rent expense	**309**	372
Other expenses	**3,081**	3,840
	42,656	41,456

13. Goodwill

Goodwill of AED 20,642 thousand represents goodwill that arose on acquisition of National Finance Brokerage Company LLC (NFBC), acquired in 2010. NFBC was merged with Al Ramz Capital LLC effective from 2010 and the goodwill of AED 3,928 thousand acquired through the business combination was allocated to the Group (CGU) for impairment testing purposes. Goodwill is not amortised but is reviewed annually for assessment of impairment in accordance with IAS 36. The Group performed its annual goodwill impairment test as at 31 December 2020. The recoverable amount for CGU is based on the value in use and has been calculated using the discounted cash flows approach.

Key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	Percentage
Discount rate	11.84
Terminal value growth rate	1.3
Yearly revenue growth rate	30

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long term compound annual EBITA growth rate. As a result of the analysis, there is sufficient headroom in CGU and no impairment has been identified. Reasonable sensitivities have been applied to CGU earnings and the discount rate used and in all cases the value in use continues to exceed the carrying amount of the CGU goodwill.

14. Property and equipment

	Office premises AED'000	*Office equipment AED'000*	*Motor vehicles AED'000*	*Furniture and fixtures AED'000*	*Work in progress AED'000*	*Total AED'000*
Cost						
At 1 January 2020	22,172	19,715	433	11,436	6,705	60,461
Additions	-	2,081	-	36	325	2,442
Transfers	-	407	-	5,876	(6,283)	-
At 31 December 2020	**22,172**	**22,203**	**433**	**17,348**	**747**	**62,903**
Accumulated depreciation						
At 1 January 2020	4,772	17,141	399	11,002	-	33,314
Charge for the year	739	1,304	31	1,386	-	3,460
At 31 December 2020	**5,511**	**18,445**	**430**	**12,388**	**-**	**36,774**
Cost						
At 1 January 2019	22,172	18,388	903	11,275	2,561	55,299
Additions	-	1,327	-	161	4,144	5,632
Disposals	-	-	(470)	-	-	(470)
At 31 December 2019	22,172	19,715	433	11,436	6,705	60,461
Accumulated depreciation						
At 1 January 2019	4,033	16,039	796	10,534	-	31,402
Charge for the year	739	1,102	43	468	-	2,352
Disposals	-	-	(440)	-	-	(440)
At 31 December 2019	4,772	17,141	399	11,002	-	33,314
Carrying amounts						
At 31 December 2020	**16,661**	**3,758**	**3**	**4,960**	**747**	**26,129**
At 31 December 2019	17,400	2,574	34	434	6,705	27,147

15 Business combination

On 12 July 2020, the Group acquired 100% of the voting shares of a financial entity, an unlisted company based in Dubai that specialises in brokerage services. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of the acquired company from the acquisition date.

The fair value of the identifiable assets and liabilities of the acquired company as at the acquisition were:

	Fair value recognised on acquisition AED'000
Assets	
Property and equipment	**5**
Account receivables and prepayments	**1,553**
Cash and bank balances	**31,726**
Other assets	**783**
Total assets	**34,067**
Liabilities	
Trade and accounts payable	**7,121**
Employees' end of service benefits	**1,622**
Total Liabilities	**8,743**
Total identifiable net assets at fair value	**25,324**
Purchase consideration transferred	**(21,466)**
Bargain purchase gain	**3,858**
Analysis of cash flow on acquisition:	
Net cash acquired with the subsidiary (included in the cash flows from investing activities)	**31,726**
Cash paid	**(21,466)**
Net cash flow on acquisition	**10,260**

A transaction cost of AED 100 thousand were incurred on the business acquisition. The bargain purchase gain with the business acquisition has been included in other income.

From the date of acquisition, the acquired company has contributed AED 577 thousand of general and administrative expenses to the results of the Group.

16. Margin and trade receivables

	2020	2019
	AED'000	AED'000
Margin receivables	**245,351**	327,865
Trade receivables, net	**6,748**	144,574
	252,099	472,439

	2020	2019
	AED'000	AED'000
Margin receivables	**250,183**	327,865
Provision for expected credit losses	**(4,832)**	-
Trade receivables, net	**245,351**	327,865

	2020	2019
	AED'000	AED'000
Trade receivables	**11,201**	147,466
Provision for expected credit losses	**(4,453)**	(2,892)
Trade receivables, net	**6,748**	144,574

Provision for expected credit losses movement for the year:

	2020	2019
	AED'000	AED'000
Opening balance	**2,892**	3,458
Provided during the year	**7,162**	234
Reversed during the year	**(769)**	(800)
Ending balance	**9,285**	2,892

The Group is licensed to provide finance to its clients as a percentage of the market value of pledged securities. The Group charges interest on amounts due. Customers are required to provide additional cash or securities if the price of pledged securities drops against the minimum eligibility of 125% *(2019:125%)*. If minimum eligibility is breached, the Group commences liquidation of the pledged securities. The fair value of pledged securities held as collateral against margin receivables amounted to AED 1,010,335 thousand as at 31 December 2020 *(31 December 2019: AED* 1,053,698 *thousand).*

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

17. Guarantee deposits

Guarantee deposits are held with commercial banks in the UAE as collateral against letters of guarantee issued by the banks *(note 28)*. These are denominated in UAE Dirhams, with an effective interest rate of 3% *(2019: 3%)* per annum.

18. Investments at fair value through profit and loss

These represent equity investments, primarily in listed entities and are held for trading purpose. Movements in the investments at fair value through profit or loss are as follows:

	2020	2019
	AED'000	AED'000
At 1 January	**206,379**	258,623
Additions during the year	**164,409**	230,119
Disposals during the year	**(169,362)**	(263,961)
Unrealised loss *(note 11)*	**(22,347)**	(18,402)
	179,079	206,379

19. Bank balances and cash

	2020	2019
	AED'000	AED'000
Cash in hand	**62**	49
Bank balance – current accounts	**286,808**	153,672
Bank balance – deposit accounts	**92,603**	33,006
Cash in money market fund	**13,287**	-
	392,760	186,727

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

Bank balances include an annual deposit amounting to AED 62,500 *(2019: AED* 33,006 *thousand)* held as security against overdraft facility *(note 27).*

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

	2020	2019
	AED'000	AED'000
Bank balances and cash	**392,760**	186,727
Deposits with original maturities greater than three months	**(92,603)**	(33,006)
Bank overdrafts *(note 27)*	**(125,365)**	(124,946)
	174,792	28,775

20. Due from / due to securities markets

	2020 AED'000	2019 AED'000
Due from securities markets		
NASDAQ Dubai Limited	**119**	119
Saudi Market	**513**	504
	632	623
Due to securities markets		
Abu Dhabi Securities Exchange	**17,732**	731
Dubai Financial Market	**8,968**	1,828
	26,700	2,559

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

21. Share capital

	2020 AED'000	2019 AED'000
Authorised, issued and fully paid share capital:		
549,915,858 shares of AED 1 each	**549,916**	549,916

22. Acquisition reserve

An addition was made to share capital of AED 399,916 thousand in 2016, which represents an adjustment made to bring the share capital equal to share capital of Al Ramz Corporation Investment and Development PJSC with corresponding debit to acquisition reserve bringing the acquisition reserve to a total debit balance of AED 283,966 thousand.

23. Statutory reserve

As required by the UAE Federal Law No. (2) of 2015 and the Company's articles of association, 10% of the Group's profit for the year should be transferred to the statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution.

24. General reserve

Transfers to and from and the use of the general reserve are made at the discretion of the Board of Directors.

In their Annual General Meeting (AGM) held on 23 March 2020, the Shareholders of the Group have resolved to transfer the general reserve amounting to AED 19,525 thousand as at 31 December 2019 to the statutory reserve.

25. Employees' end of service benefits

	2020	2019
	AED'000	AED'000
Movements during the year		
At 1 January	**5,059**	5,434
Acquisition of a subsidiary *(note 15)*	**1,622**	**-**
Charge for the year	**1,161**	1,061
Paid during the year	**(3,039)**	(1,436)
At 31 December	**4,803**	5,059

26. Accounts payable and accruals

	2020	2019
	AED'000	AED'000
Trade payables	**197,305**	142,069
Accrued expenses	**4,381**	3,568
Other payables	**4,282**	7,891
	205,968	153,528

27. Short term borrowings

	2020	2019
	AED'000	AED'000
Facility 1	**-**	10,460
Facility 2	**16,900**	16,900
Facility 3	**19,967**	38,349
Facility 4	**-**	17,794
Facility 5	**5,886**	22,787
Facility 6	**-**	49,963
Facility 7	**21,653**	35,280
Bank overdrafts	**125,365**	124,946
	189,771	316,479

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

Facility 2
This represents a loan obtained from a shareholder. It carries a fixed interest rate. The term of the agreement is one month, renewed automatically.

27. Short term borrowings *(continued)*

Facility 3 and 5
These represent short term facilities obtained from local banks to finance the purchase of investments at fair value through profit or loss and are secured by these investments. They carry interest at market rates and are repayable within 12 months from the reporting date.

Facility 4
This represents a short term facility obtained from a local bank to finance the purchase of investments at fair value through profit or loss and is secured by these investments. It carries interest at market rates and is repayable within 12 months from the reporting date. This facility was fully repaid during the year.

Facility 6
This represents a short-term facility obtained from a branch of a foreign bank to finance the margin lending activities. The facility carries interest at prevailing market rates. This facility was fully repaid during the year.

Facility 7
This represents a Wakala Agreement obtained from a financing institution to finance the purchase of investments at fair value through profit or loss and is secured by these investments. It carries profit at market rates and is repayable within 5 months from the reporting date.

Bank overdrafts
These carry interest at prevailing market rates. Bank overdrafts are partially secured against bank balances (refer to note 19).

28. Commitments and contingencies

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

	2020 **AED'000**	2019 AED'000
Dubai Financial Market	**25,000**	45,000
Abu Dhabi securities exchange	**25,000**	25,000
NASDAQ Dubai Limited	**1,000**	1,000
Market making (ADX and DFM)	**8,000**	9,000
	59,000	80,000

At 31 December 2020, the guarantees were secured by a cash deposit of AED 14,750 thousand *(2019: AED* 31,064 *thousand)* refer to note 17.

The Group had no capital commitments and contingencies during the year *(2019: none)*.

The Group had no financial commitments at the reporting date. *(31 December 2019: AED* 24.5m*)*.

29. Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Board of Directors.

Balances with related parties included in the consolidated statement of financial position are as follows:

	2020 AED'000	2019 AED'000
Loans from related parties	**16,900**	27,359
Margin and trade receivables	**5,178**	21,677
Trade accounts payable	**2,091**	264

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

	2020 AED'000	2019 AED'000
Commission income	**529**	438
Margin income	**503**	1,192
Finance costs	**693**	1,731
Performance and management fees	**37**	94

Terms and conditions of transactions with related parties
Transactions from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties *(2019: AED nil).*

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

	2020 AED'000	2019 AED'000
Short-term benefits (excluding bonus)	**4,634**	5,088
Bonuses	**110**	780
Number of key management personnel	**3**	3

30. Risk management

The Group's principal financial liabilities consist of trading payables, lease liability and short term borrowings. The main purpose of the financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as margin and trade receivables, bank balances and investments carried at fair value through profit or loss, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and equity prices risk. The members of management of the Group review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

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

The Group is not exposed to interest rate risk on its interest bearing guarantees with banks and certain short term borrowings which carry fixed interest rate.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss and other comprehensive income to reasonably possible changes in floating interest rates, with all other variables held constant, of the Group's result for the year. There is no impact on the Group's equity.

	2020	2019
	AED'000	AED'000
Effect on net profit		
+100 increase in basis point	**(1,688)**	1,340
-100 increase in basis point	**1,688**	(1,225)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivable from customers and investment in debt securities.

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations as of 31 December in relation to each class of recognized financial assets is the carrying amount of those assets as indicated below:

	2020	2019
	AED'000	AED'000
Assets		
Balances with banks	**379,411**	186,678
Cash in money market fund	**13,287**	-
Margin and trade receivables	**252,099**	472,439
	644,797	659,117

30. Risk management *(continued)*

Liquidity risk

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Five largest customers account for 50.1% *(2019:* 48%*)* of margin receivables. The Group's margin receivables are secured by traded securities that are generally at the loan to value of 50% on sanctioning date. The Group forecloses on exposures near or at the 75% loan to value range.

The Group limits its liquidity risk by ensuring bank facilities and adequate cash from operations are available. The Group's terms of brokerage contracts require the amounts to be received and settled in accordance with the settlement terms of the securities market. Outstanding receivables are monitored on a continuous basis.

The table below summarises the maturities of the Group's undiscounted consolidated financial liabilities at 31 December 2020 and 31 December 2019, based on contractual payments.

	Less than 3 months AED'000	*3 to 6 Months AED'000*	*6 to 12 months AED'000*	*More than 12 months AED'000*	*Total AED'000*
31 December 2020					
Trade payables	**197,305**	**-**	**-**	**-**	**197,305**
Short term borrowings	**172,871**	**-**	**16,900**	**-**	**189,771**
Due to securities markets, net	**26,700**	**-**	**-**	**-**	**26,700**
Lease liability	**-**	**46**	**92**	**1,179**	**1,317**
Total	**396,876**	**46**	**16,992**	**1,179**	**415,093**
31 December 2019					
Trading payables	142,069	-	-	-	142,069
Short term borrowings	174,909	7,782	133,788	-	316,479
Due to securities markets, net	2,559	-	-	-	2,559
Total	319,537	7,782	133,788	-	461,107

Equity price risk

The Group is exposed to equity price risk, which arises from equity securities at FVTPL. Management of the group monitors the proportion of equity securities in its investment portfolio based on market indices. Investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by senior management and the Board of Directors in accordance with their respective approved limits.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. Capital includes share capital, reserves and retained earnings and is measured at AED 466,868 thousand as at 31 December 2020 *(2019: AED* 477,739 *thousand)*.

31. Fair value measurement of financial instruments and investment property

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of receivables, bank balances and cash that are carried at amortized cost and investments carried at fair value through profit or loss. Financial liabilities consist of payables, short term borrowings and certain other liabilities carried at amortised cost.

The fair values of the Group's financial instruments and investment property are not materially different from their carrying values at the consolidated statement of financial position date. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments and investment property by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1 *AED'000*	*Level 2* *AED'000*	*Level 3* *AED'000*	*Total* *AED'000*
31 December 2020				
Investments at fair value through profit or loss	**171,559**	**-**	**7,520**	**179,079**
Investment property	**-**	**-**	**1,000**	**1,000**
31 December 2019				
Investments at fair value through profit or loss	189,998	-	16,381	206,379
Investment property	-	-	1,220	1,220

Significant portion of FVTPL as at 31 December 2020, are fair valued using quoted market prices (level 1). The basis for classifying assets under level 3 are disclosed above.

Reconciliation of fair value measurement of level 3 investment carried at fair value through profit and loss is as follows:

	2020 **AED'000**	2019 AED'000
At 1 January	**16,381**	23,477
Additions during the year	**10,967**	**-**
Disposals during the year	**(14,700)**	**-**
Fair value change	**(5,128)**	(7,096)
	7,520	16,381

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (2019: none).

32. Basic and diluted (losses) earnings per share

Basic (losses) earnings per share amounts are calculated by dividing the (loss) profit for the year attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted (losses) earnings per share are calculated by dividing the (loss) profit for the year attributable to the equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of any financial instruments with dilutive effects.

	2020	2019
(Loss) profit attributable to the year (AED'000)	**(10,871)**	4,075
Weighted average number of shares (thousand)	**549,916**	549,916
Basic and diluted (losses) earnings per share (AED)	**(0.020)**	0.007

33. Fiduciary activities

The Group held assets under management net of cash margins in a fiduciary capacity for its customers at 31 December 2020 amounting to AED 228,149 thousand *(31 December 2019: AED* 314,528 *thousand)*. These assets held in a fiduciary capacity are excluded from these consolidated financial statements of the Group.

34. Dividends

In their Annual General Meeting (AGM) held on 23 March 2020, the Shareholders of the Group have resolved no dividends to be distributed for the year ended 31 December 2019.

35. Comparative figures

Certain comparative figures have been reclassified to conform to current year's classification with no impact on profit or loss or retained earnings.