SICO Financial Brokerage L.L.C.

Financial Statements
For the year ended 31 December 2019

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Independent Auditor's Report
To the Shareholders of SICO Financial Brokerage L.L.C.

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **SICO Financial Brokerage L.L.C.** ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other matter

The financial statements of the Company for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 January 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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Independent Auditor's Report
To the Shareholders of SICO Financial Brokerage L.L.C. (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISA 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.

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

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Independent Auditor's Report
To the Shareholders of SICO Financial Brokerage L.L.C. (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Report on other legal and regulatory requirements

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

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

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

iii) the Company has maintained proper books of account;

iv) the financial information included in the report of the Board of Directors' is consistent with the books of account of the Company;

v) the Company has not purchased or invested in shares during the financial year ended 31 December 2019;

vi) note 13 to the financial statements discloses 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 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019.

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Date: 12 March 2020

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Audit And Accounting Limited

Statement of financial position
As at 31 December 2019

	Notes	2019 AED	2018 AED
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**47,675,178**	28,792,495
Bank fixed deposit		**-**	41,700,000
Trade and other receivables	5	**2,217,246**	1,800,735
Margin loans	6	**54,778,160**	1,695,023
Other current assets	7	**609,406**	3,483,298
TOTAL CURRENT ASSETS		**105,279,990**	77,471,551
NON-CURRENT ASSETS			
Intangible assets	8	**44,887**	50,557
Property and equipment	9	**1,799,144**	459,690
TOTAL NON-CURRENT ASSETS		**1,844,031**	510,247
TOTAL ASSETS		**107,124,021**	77,981,798
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	10	**50,000,000**	50,000,000
Shareholder's contribution	10	**19,455,664**	-
Statutory reserves	10	**2,362,215**	2,362,215
Accumulated losses		**(25,271,363)**	(23,984,684)
TOTAL SHAREHOLDERS' EQUITY		**46,546,516**	28,377,531
LIABILITIES			
CURRENT LIABILITIES			
Lease liability – current	11	**237,895**	-
Trade and other payables	12	**15,849,224**	22,272,697
Due to a related party	13	**43,176,001**	26,991,703
TOTAL CURRENT LIABILITIES		**59,263,120**	49,264,400
NON-CURRENT LIABILITIES			
Lease liability – non-current	11	**866,483**	-
Provision for employees' end of service benefits	14	**447,902**	339,867
TOTAL NON-CURRENT LIABILITIES		**1,314,385**	339,867
TOTAL LIABILITIES		**60,577,505**	49,604,267
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**107,124,021**	77,981,798

These financial statements were approved by the Board of Directors on 12 March 2020 and signed on their behalf by:

Najla Shirawi
Chairman

Anantha Narayanan
Vice Chairman

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 AED	2018 AED
REVENUE			
Brokerage commission revenue		**4,400,542**	3,124,476
Interest income		**1,326,350**	1,078,494
Other income		**17,360**	85,535
		5,744,252	4,288,505
EXPENSES			
General and administrative expenses	15	**(5,935,204)**	(5,489,538)
Finance costs		**(701,977)**	(742,102)
Depreciation and amortization expense	8, 9	**(393,750)**	(44,916)
		(7,030,931)	(6,276,556)
Net loss for the year		**(1,286,679)**	(1,988,051)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(1,286,679)**	(1,988,051)

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Share capital AED	Contributed capital AED	Shareholder's contribution	Statutory reserves AED	Accumulated losses AED	Total shareholders' equity AED
Balance as at 1 January 2019	50,000,000	-	-	2,362,215	(23,984,684)	28,377,531
Shareholder's contribution	-	-	19,455,664	-	-	19,455,664
Total comprehensive loss for the year	-	-	-	-	(1,286,679)	(1,286,679)
Balance as at 31 December 2019	**50,000,000**	**-**	**19,455,664**	**2,362,215**	**(25,271,363)**	**46,546,516**
Balance as at 1 January 2018	30,000,000	20,000,000	-	2,362,215	(21,996,633)	30,365,582
Transfer to share capital	20,000,000	(20,000,000)	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(1,988,051)	(1,988,051)
Balance as at 31 December 2018	50,000,000	-	-	2,362,215	(23,984,684)	28,377,531

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2019

	Notes	2019 AED	2018 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		**(1,286,679)**	(1,988,051)
Adjustments for non-cash items:			
Finance cost		**701,977**	742,102
Depreciation of property and equipment	9	**388,080**	23,917
Gain from disposal of property and equipment		**-**	(3,950)
Provision for employees' end of service benefits	14	**119,835**	98,994
Amortization of intangible assets	8	**5,670**	20,999
Interest income		**(1,326,350)**	(241,944)
Operating loss before changes in working capital		**(1,397,467)**	(1,347,933)
Changes in working capital			
Change in trade and other receivables		**(416,511)**	5,557,435
Change in other current assets		**2,873,892**	(813,806)
Change in margin loans		**(53,083,137)**	20,293,208
Change in trade and other payables		**(6,423,473)**	7,585,400
Change in due to a related party		**16,184,298**	(2,614,501)
Change in lease liability		**1,104,378**	-
Cash (used in)/generated from operations		**(41,158,020)**	28,659,803
Interest received from margin loans		**938,900**	-
Payment of provision for employees' end of service benefits	14	**(11,800)**	(27,194)
Net cash (used in)/generated from operating activities		**(40,230,920)**	28,632,609
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on fixed deposits and T-bills		**387,450**	241,944
Decrease/(increase) in bank fixed deposits		**41,700,000**	(23,700,000)
Proceeds from disposal of property and equipment		**-**	3,950
Payments for purchase of property and equipment	9	**(1,727,534)**	(461,646)
Net cash generated from/(used in) investing activities		**40,359,916**	(23,915,752)
CASH FLOW FROM FINANCING ACTIVITIES			
Finance cost paid		**(701,977)**	(742,102)
Contributed capital		**19,455,664**	-
Net cash generated from/(used in) financing activities		**18,753,687**	(742,102)
Net increase in cash and cash equivalents		**18,882,683**	3,974,755
Cash and cash equivalents, beginning of year		**28,792,495**	24,817,740
Cash and cash equivalents, end of year	4	**47,675,178**	28,792,495

The accompanying notes from 1 to 23 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2019

1 Legal status and activities

SICO Financial Brokerage L.L.C. was established on 11 February 2002, as a limited liability company, registered in the Emirates of Abu Dhabi under UAE Federal Law No. 2 of 2015. The Company was granted a license to operate, in the Emirate of Abu Dhabi, by Emirates Securities and Commodities Authority ("SCA") on 13 May 2002 and its registered head office is in Sky Tower, Al Reem Island, P.O. Box 37618 under a new management. The Company license number is CN-1043543.

The principal activity of the Company is to provide brokerage services for customers trading in shares and securities on Abu Dhabi Securities Exchange, Dubai Financial Market and NASDAQ Dubai.

The Company has changed its trade name from Securities and Investment Company (UAE) L.L.C. to SICO Financial Brokerage L.L.C. as per notarized amended article of association dated 29 January 2018.

The Company is a wholly-owned subsidiary of SICO BSC (C), a Bahrain-based GCC asset manager, broker and investment bank.

2 General information

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of U.A.E Federal Law No. 2 of 2015 relating to commercial companies.

2.2 Basis of preparation

These financial statements are for the year ended 31 December 2019 and are presented in Arab Emirate Dirham (AED), which is the functional and presentational currency of the Company.

The financial statements have been prepared under the historical cost principle.

2.3 Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective in 2019

The Company has adopted the following standards starting 1 January 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements.

Standard number	Title	Effective date
IFRS 16	Leases - New	1 January 2019

2 General information (continued)

2.3 Standards, interpretations and amendments to existing standards (continued)

Standards, interpretations and amendments to existing standards that are effective in 2019 (continued)

IFRS 16 Leases

IFRS 16 is effective from period beginning on or after 1 January 2019.

IFRS 16 specifies how an IFRS reporter recognises, measures, presents and discloses leases. The Standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Transition

The Company has initially applied IFRS 16 at 1 January 2019. It has applied IFRS 16 using the cumulative effect method, under which the comparative information is not restated. The Company has assessed that IFRS 16 has no significant impact on the Company's retained earnings as at 1 January 2019.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5%.

2 General information (continued)

2.3 Standards, interpretations and amendments to existing standards (continued)

Standards, interpretations and amendments to existing standards that are effective in 2019 (continued)

Other pronouncements

Other accounting pronouncements which have become effective from 1 January 2019 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS 2015-2017 Cycle
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

3 Summary of significant accounting policies

3.1 Accounting convention

These financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

3.2 Financial instruments

Financial instruments
Financial instruments are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognised on the trade date.

Financial assets

Recognition and measurement

The Company has the following financial assets: cash and cash equivalents, trade and other receivables, margin loans and other current assets (excluding prepaid expenses and value added tax). These financial assets are classified as 'financial assets at amortised cost' based on the following:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash consists of cash on hand and in banks and valued at face amount. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturity of three (3) months or less and are subject to an insignificant risk of change in value.

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

Financial assets (continued)

Recognition and measurement (continued)

Subsequent to initial recognition, these assets are subsequently measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The amortised cost is reduced by impairment losses. Interest income and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

Impairment of financial assets

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: 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 Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables, lease liability and due to a related party are classified as 'financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

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

Offsetting financial instruments

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

This is not generally the case with master netting agreements, thus the related financial assets and financial liabilities are presented on a gross basis in the statements of financial position.

3.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

3 Summary of significant accounting policies (continued)

3.3 Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is audited annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's intangible assets consists of software and programs with estimated useful lives of 3-10 years.

3.4 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment. The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furnitures and fixtures	3 - 5
Computers and equipment	3
Motor vehicles	3

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss.

3.5 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of 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 Company 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, corporate 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.

The recoverable amount is the higher of fair value less costs to sell and value in use.

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 statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3 Summary of significant accounting policies (continued)

3.5 Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.6 Revenue recognition

Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

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

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer good or service to the customer.

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

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

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

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

a) The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.
b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives or consumes the benefits provided by the Company's performance as the Company performs.

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

3 Summary of significant accounting policies (continued)

3.6 Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Brokerage commission revenue

Revenue is recognised when service is rendered to the customer upon execution of sale and purchase orders according to the brokerage commission rates prevailing in the local securities market.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest income consists of interest income from margin loans and fixed deposits.

3.7 Expenses

Expenses are recognised when decrease in future economic benefits related to a decrease of an asset or an increase of a liability occurs that can be measured reliably. Expenses are recognised when incurred.

3.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their years of service up to the reporting date in accordance with the UAE Labour Law and is reported as a separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the year of employment.

3 Summary of significant accounting policies (continued)

3.9 Finance costs

Finance costs include bank charges, interest on credit facilities and interest on lease. Finance costs are recognised using the effective interest method.

3.10 Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.11 Leases

The Company as a Lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

3 Summary of significant accounting policies (continued)

3.11 Leases (continued)

Measurement and recognition of leases as a lessee (continued)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property and equipment (except those meeting the definition of investment property) and lease liabilities have been presented separately under current and non-current liabilities.

3.12 Related parties

Related parties are considered to be related because they have the ability to exercise control over the Company or to exercise significant influence or joint control over the Company's financial and operating decisions. Further, parties are considered related to the Company when the Company has the ability to exercise control, significant influence or joint control over the financial and operating decisions of those parties. Transaction with related parties normally comprise the transfer of resources, services or obligations between the parties.

3.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are audited at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3 Summary of significant accounting policies (continued)

3.14 Equity and reserves

Share capital represents the nominal value of shares that have been issued. Other details for reserves are mentioned in note 10 to the financial statements.

3.15 Critical accounting estimates and judgements in applying accounting policies

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarised below:

Impairment of financial assets

Management has estimated the recoverability of financial assets and has considered the allowance required for impaired financial assets based on prior experience, current economic environment and forecast of future economic conditions in accordance with IFRS 9. Management has estimated for the impairment losses on financial assets based on future cash flows estimated at the end of reporting period. Impairment of margin loans as at 31 December 2019 is AED 70,000 (31 December 2018: nil).

4 Cash and cash equivalents

	2019 AED	2018 AED
Cash on hand	**33,328**	5,857
Cash in banks - current accounts	**47,641,850**	28,786,638
	47,675,178	28,792,495

5 Trade and other receivables

	2019 AED	2018 AED
Trade receivables	**58,870**	14,076
Net settlement due from Abu Dhabi Securities Exchange	**1,659,799**	1,786,659
Net settlement due from Nasdaq Dubai	**498,577**	-
	2,217,246	1,800,735

The ageing for the trade receivables is as follows:

	2019 AED	2018 AED
1 – 90 days	**58,207**	13,274
More than 90 days	**663**	802
Total	**58,870**	14,076

As at 31 December 2019 and 31 December 2018, management assessed that all its trade and other receivables are not impaired. As such, there were no ECL recognised on the Company's trade and other receivables.

6 Margin loans

The Company has obtained the license from SCA under registration 604010 dated 24 November 2013, whereby the Company would provide finance to its clients as percentage of market value of securities.

The clients are subject to discretionary interest charges by management. The margin loan facility will be on a 1:1 basis, whereby to avail the margin facility the clients must deposit margin amount. The client's portfolio will be used as collateral against the margin facility and they need to provide additional margin in the form of cash and securities, if the value of their portfolio reaches the minimum margin maintenance limit that is set by the Company. In case the client fails to meet margin requirement due to deterioration in the portfolio, the Company is allowed to liquidate the positions and settle all its outstanding dues from the client.

As at 31 December 2019, the carrying amount of the margin loans net of the expected credit loss amounting to AED 70,000 is AED 54,778,160 (31 December 2018: AED 1,695,023).

The fair value of securities held as collateral against the margin trading facilities as at the reporting date amounts to AED 109,784,464 (31 December 2018: AED 8,129,712).

As at 31 December 2019, the commitments extended to customer for margin loan has an undrawn limit of AED 8,951,840 (31 December 2018: AED 674,976)

Interest earned from margin loans for the year ended 31 December 2019 amounted to AED 938,900 (31 December 2018: AED 836,550).

7 Other current assets

	2019 AED	2018 AED
Prepaid expenses	**399,682**	571,442
Security deposits	**35,900**	2,705,000
Value-added tax – net	**-**	5,547
Others	**173,824**	201,309
	609,406	3,483,298

8 Intangible assets

	2019 AED	2018 AED
Cost	**883,192**	883,192
Accumulated amortization		
Balance at 1 January	**832,635**	811,636
Amortization for the year	**5,670**	20,999
Balance at 31 December	**838,305**	832,635
Carrying amount	**44,887**	50,557

9 Property and equipment

	Furniture and fixtures AED	Computer and equipment AED	Motor vehicles AED	Leasehold improvements AED	Right-of-use asset AED	Total AED
Cost						
At 1 January 2018	989,010	1,436,334	58,000	-	-	2,483,344
Additions during the year	5,426	40,949	-	415,271	-	461,646
At 31 December 2018	994,436	1,477,283	58,000	415,271	-	2,944,990
Additions during the year	377,111	-	-	-	1,350,423	1,727,534
Transfers during the year	415,271	-	-	(415,271)	-	-
At 31 December 2019	**1,786,818**	**1,477,283**	**58,000**	**-**	**1,350,423**	**4,672,524**
Accumulated depreciation						
At 1 January 2018	983,671	1,419,712	58,000	-	-	2,461,383
Charge for the year	2,519	21,398	-	-	-	23,917
At 31 December 2018	986,190	1,441,110	58,000	-	-	2,485,300
Charge for the year	121,520	18,983	-	-	247,577	388,080
At 31 December 2019	**1,107,710**	**1,460,093**	**58,000**	**-**	**247,577**	**2,873,380**
Carrying amount						
As at 31 December 2019	**679,108**	**17,190**	**-**	**-**	**1,102,846**	**1,799,144**
As at 31 December 2018	8,246	36,173	-	415,271	-	459,690

During the year ended 31 December 2019, leasehold improvements amounting to AED 415,271 has been reclassified to furniture and fixtures.

In addition, purchases of furniture and fixtures amounting to AED 377,111 were made.

10 Share capital and reserves

Share Capital

The Company was incorporated with the share capital of AED 30,000,000 divided into 30,000 shares of AED 1,000 par value per share.

As per the Company's notarized amended Articles of Association dated 29 January 2018, the shareholders decided to increase capital by an additional 20,000 shares pro rata to their existing shareholdings.

As at the reporting date, the Company's paid up share capital is AED 50,000,000 distributed as follows:

	Percentage of capital	No. of shares	Total capital AED
Name of shareholders			
SICO BSC(c)	99%	49,500	49,500,000
SICO Ventures Company SPC	1%	500	500,000
Total	**100%**	**50,000**	**50,000,000**

Shareholder's Contribution

On 4 June 2014, the Parent Company provided the Company with a credit facility amounting to USD 5,300,000. The credit facility is available for a period of five years to meet SCA requirements relating to margin trading. The credit facility bears interest at three-month LIBOR plus 1% per annum payable in arrears on maturities and/or rollovers (3 months). On 24 January 2017, the Parent Company issued a board resolution stating that the credit facility would be interest free.

On 22 August 2019, the Parent Company issued a revised funding agreement with the revised terms that the credit facility will not bear any interest and will be repayable at the discretion of the Company. Due to the changes made in the terms of the credit facility, the Management decided that it is appropriate to reclassify the credit facility from liability to shareholder's contribution.

Statutory reserves

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

11 Leases

On 1 September 2018, the Company has entered into a leasing agreement with The National Investor PrJSC with a lease term of five years. The lease liability is secured by the related underlying asset. Future minimum lease payments at 31 December 2019 are as follows:

	2019 AED	2018 AED
Within one year	**237,895**	-
One to five years	**866,483**	-
	1,104,378	-

The Company has elected not to recognise a lease liability for short-term leases (leases with expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

Finance cost incurred from lease liability amounted to AED 48,648 for the year ended 31 December 2019.

12 Trade and other payables

	2019 AED	2018 AED
Trade payables	**10,492,274**	21,664,592
Net settlement account with Abu Dhabi Securities Exchange	**-**	263,890
Net settlement account with Dubai Financial Market	**4,723,495**	-
Provision for staff bonus	**353,156**	202,620
Value added tax - net	**38,810**	-
Other payables	**241,489**	141,595
	15,849,224	22,272,697

13 Related parties

The Company in the normal course of the business conducts transactions with enterprises which fall within the definition of related parties as described by International Financial Reporting Standards. The transactions with these related parties are primarily financing in nature as follows:

a) Due to the Parent Company

	2019	2018
	AED	AED
SICO BSC (c) – Financing	**-**	19,455,664
SICO BSC (c) – Operating	**43,176,001**	7,536,039
	43,176,001	26,991,703

b) Transactions with Parent Company

	2019	2018
	AED	AED
Commission income	**2,356,826**	1,651,590
Income from guarantee commission	**2,625**	-
Referral commission	**(40,420)**	-
Interest on facilities	**(96,187)**	-

c) Transactions with key management personnel

	2019	2018
	AED	AED
Short term employee benefits	**2,298,760**	535,310
Post-employment benefits	**53,038**	12,438

14 Provision for employees' end of service benefits

	2019 AED	2018 AED
Balance at 1 January	**339,867**	268,067
Charge during the year – Note 15	**119,835**	98,994
Settlement during the year	**(11,800)**	(27,194)
Balance at 31 December	**447,902**	339,867

15 General and administrative expenses

	2019 AED	2018 AED
Salaries and related benefits	**3,650,167**	3,081,579
Software and licensing	**1,310,519**	1,142,888
Utilities	**249,893**	424,274
Rent expense	**241,315**	370,715
End of service benefits - Note 14	**119,835**	98,994
Expected credit loss	**70,000**	-
Insurance	**46,165**	115,875
Professional fees	**63,195**	77,405
Other expenses	**184,115**	177,808
	5,935,204	5,489,538

16 Risk management

The Company monitors and manages the financial risks relating to its business and operations. These risks include credit risk, interest rate risk, foreign currency risk, operational risk and liquidity risk.

The Company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are audited and approved by the management annually.

The Company maintains a record of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment and subsequent write offs.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk for such receivables and liquid funds without taking into account the value of any collateral obtained. Financial assets which potentially subject the Company to concentrations of credit risk principally consist of current and call accounts and trade receivables. The current accounts with banks are with high credit quality financial institutions.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on margin loans.

The interest rates for margin loans are subject to periodic revisions and prevailing bank interest rates.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, however the AED is pegged to the US Dollar which does not impose risk due to fluctuations in exchange rates during the year. The Company maintains policies and procedures to manage the exchange rate risk exposure.

16 Risk management (continued)

Operational risk

The Company maintained an adequate capital to cover its operational risk in accordance with the SCA. The Company used fixed expenditure shown in the results of the previous financial year to calculate the capital requirement for its operational risk.

Capital management

The regulator, SCA, sets and monitors capital requirements for the Company.

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

At 31 December 2019, the Company's capital adequacy ratio as per the SCA Circular (12/R) of 2010 is 4.11 (31 December 2018: 13.51).

According to SCA a brokerage firm must allocate capital to constitute a buffer for credit risk, or operational risk, whether incorporated as a budget item or not, according to the percentages.

	2019	2018
	AED	AED
Tier 1 Capital	**31,102,861**	28,326,975
Tier 2 Capital	**15,398,769**	19,455,664
Tier 3 Capital	**-**	-
Total capital base	**46,501,630**	47,782,639
Capital requirement	**11,299,123**	3,537,382
Capital adequacy ratio	**4.11**	13.51

Tier 1 capital includes equity and capital contributions by the shareholders, after deducting losses during the running fiscal year, as well as intangible assets.

16 Risk management (continued)

Liquidity risk

The Company's Board of Directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with the Board of Directors.

The following table shows the maturity dates of the Company's financial assets and liabilities as at 31 December 2019 .

	Less than 1 year AED	More than 1 year AED	Total AED
Financial assets			
Cash and cash equivalents	**47,675,178**	**-**	**47,675,178**
Trade and other receivables	**2,217,246**	**-**	**2,217,246**
Margin loans	**54,778,160**	**-**	**54,778,160**
Other current assets (excluding prepaid expenses)	**209,724**	**-**	**209,724**
	104,880,308	**-**	**104,880,308**
Financial liabilities			
Lease liability	**237,895**	**866,483**	**1,104,378**
Trade and other payables (excluding VAT)	**15,810,414**	**-**	**15,810,414**
Due to a related party	**43,176,001**	**-**	**43,176,001**
	59,224,310	**866,483**	**60,090,793**

The following table shows the maturity dates of the Company's financial assets and liabilities as at 31 December 2018 .

	Less than 1 year AED	More than 1 year AED	Total AED
Financial assets			
Cash and cash equivalents	70,492,495	-	70,492,495
Trade and other receivables	1,800,735	-	1,800,735
Margin loans	1,695,023	-	1,695,023
Other current asset (excluding prepaid expenses and VAT)	2,906,309	-	2,906,309
	76,894,562	-	76,894,562
Financial liabilities			
Trade and other payables	22,272,697	-	22,272,697
Due to a related party	26,991,703	-	26,991,703
	49,264,400	-	49,264,400

17 Financial assets and liabilities

	2019 AED	2018 AED
Financial assets		
Cash and cash equivalents	**47,675,178**	28,792,495
Bank fixed deposits	**-**	41,700,000
Trade and other receivables	**2,217,246**	1,800,735
Margin loans	**54,778,160**	1,695,023
Other current assets (excluding prepaid expenses and VAT)	**209,724**	2,906,309
	104,880,308	76,894,562
Financial liabilities		
Lease liability	**1,104,378**	-
Trade and other payables (excluding VAT)	**15,810,414**	22,272,697
Due to a related party	**43,176,001**	26,991,703
	60,090,793	49,264,400

18 Fair value of financial instruments

As at 31 December 2019 and 31 December 2018, the fair value of cash and cash equivalents, trade and other receivables, margin loans, other current asset (excluding prepaid expenses and VAT), trade and other payables (excluding VAT) and due to related party approximate their carrying amounts due to relatively short-term nature of these instruments.

19 Contingent liabilities

The Company has letters of guarantee in the amount of AED 55,000,000 (31 December 2018: AED 50,000,000 million) in favor of Abu Dhabi Securities Exchange (ADX), Dubai Financial Market (DFM) and NASDAQ Dubai Limited in accordance with the requirements issued by the SCA.

20 Litigation

During the year 2013, the Company was served notice of legal action brought against it jointly with a third party by one of the Company's old customers.

The plaintiff claimed damages of AED 10 million resulting from a fraudulent transaction carried out by the third party and allegedly one of the old employees of the Company. The transaction took place prior to the acquisition of the entire shares of the Company by the current shareholders when the Company's name was CI Capital Gulf Financial Brokerage Company L.L.C.

The current shareholders included a clause in the sale and purchase agreement that exonerate the Company from any legal action related to any incident prior to the purchase date of 15 September 2011 and places the liability on the old shareholders.

20 Litigation (continued)

The first instance court issued its judgment on 30 April 2019 and ruled to oblige the first defendant (same UAE National found guilty in the criminal court) only, to pay an amount of AED 6,927,031 to the plaintiff in addition to the legal interest 5% annually starting from the date of filing this case on 6 August 2013.

The Company received a notification from the court which stated that the Plaintiff submitted an appeal before Abu Dhabi courts and requested to schedule a hearing for the civil case in relation to the above claim. The first meeting was held on 20 August 2019. The Company filed a sub-appeal number 398/2019. As at 31 December 2019, management believe there is no need for provision to be created in these financial statements since payment is not probable.

21 Comparative figures

Certain comparative figures have been reclassified in order to conform to the current presentation and improve the quality of information presented. However, there was no effect on previously reported total assets, total equity, total liabilities as at 31 December 2018 and total comprehensive income for the year ended 31 December 2018.

22 Post reporting date events

No adjusting or significant non-adjusting events occurred between the reporting date and the date of authorization of the financial statements.

23 Approval of financial statements

The financial statements were approved and authorized for issue by the Board of Directors on 12 March 2020.