BHM CAPITAL FINANCIAL SERVICES PSC

DIRECTORS' REPORT
AND
AUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

BHM CAPITAL FINANCIAL SERVICES PSC

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

Contents:

BHM CAPITAL
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Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present this report and the audited consolidated financial statements of BHM Capital Financial Services PSC for the year ended 31 December 2022.

The year ended 2022 was very successful as we witnessed a remarkable operational development and financial growth, achieving a profit of AED 19.8 million compared to a profit of AED 12.9 million in 2021. Total income from operating activities has grown by 29% during the year.

During the year, company succeeded to add new financial products to provide our clients with multiple investments tools. The Company also implemented new income generating segments as per the management's successful strategy to diversify Company's sources of income.

Signed on behalf of the Board

Abdel Hadi Al Sadi
CEO

Date: 10 February 2023

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INDEPENDENT AUDITORS' REPORT

RSM Dahman Auditors
Office 3110, The Burlington Tower
Marasi Drive, Business Bay
P.O. Box 11855, Dubai, United Arab Emirates
T +971 (0)4 554 7423
F +971 (0)4 362 6238
www.rsm.ae

The Shareholders
BHM Capital Financial Services PSC

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of BHM Capital Financial Services PSC and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key audit matters

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

Valuation of goodwill

As disclosed in note 3 of the consolidated financial statements, the Group had recognized goodwill in 2016 as a result of merger which was accounted for as a reverse business combination and the amount of goodwill is AED 38,379,061. The annual impairment testing of goodwill is considered to be a key audit matter due to the uncertainty of forecasting and discounting future cash flows and the significant judgments required in determining the recoverable amount. The recoverable amount is modelled using several key assumptions, including estimated trade volumes and prices, operating cost, terminal growth rates and forecasted profit or loss (discount rate).

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Independent Auditors' Report (continued)

<u>Key audit matters</u> (continued)

Valuation of goodwill (continued)

Our response

Our audit procedures included:

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

<u>Other Information</u>

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

<u>Responsibilities of Management and The Directors for the Consolidated Financial Statements</u>

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and any of the applicable provisions of the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law") and Company's Articles and Memorandum of Association and any regulations issued by the Central Bank of UAE, Emirates Securities and Commodities Authority and, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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Independent Auditors' Report Continued

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law"), we report that:

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

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law");

iii) the Group has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) note 6 to these consolidated financial statements discloses the Group's investments in shares during the year ended 31 December 2022;

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

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law") or of its Articles and Memorandum of Association which would have a material impact on its activities or its financial position.

Further, as required by Article (114) of the Decretal Federal Law No. (14) of 2018 (as amended),we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

We further report that, based on the information made available to us, nothing has come to our attention that causes us to believe that the Group has violated any regulations issued by the Central Bank of UAE, or the Emirates Securities and Commodities Authority during the year ended 31 December 2022, which may have had a material adverse effect on the business of the Group or its financial position.

RSM Dahman

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محاسبون • مدققون • استشاريون
ص.ب: ١١٨٥٥ دبي ا ع م
P.O.Box: 11855, Dubai - U.A.E.
RSM Dahman
Accountants • Auditors • Consultants

Ahmed Mohamed Salem Bamadhaf

Registration No.:459

Dubai, United Arab Emirates
10 February 2023

BHM CAPITAL FINANCIAL SERVICES PSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Note	2022 AED	2021 AED
ASSETS			
NON-CURRENT ASSETS			
Goodwill and other intangible assets	3	41,539,061	42,329,061
Property and equipment	4	9,154,325	10,678,595
Investment properties	5	-	4,510,000
Financial assets through other comprehensive income	6	3,806,484	2,993,946
Total non-current assets		54,499,870	60,511,602
CURRENT ASSETS			
Short term deposit under lien		18,101,000	13,101,000
Trade and other receivables	7	313,411,228	168,834,301
Financial assets through profit and loss	6	11,992,836	11,775,977
Cash and bank balances	9	359,177,119	329,751,859
Total current assets		702,682,183	523,463,137
Total assets		757,182,053	583,974,739
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	10	173,431,068	173,431,068
Treasury shares	10(a)	(14,650,274)	(2,000,000)
Legal reserve	10(b)	7,522,557	5,540,272
Fair value through OCI reserve	6	(5,017,755)	(875,793)
Retained earnings		31,928,515	14,087,949
Total equity		193,214,111	190,183,496
NON-CURRENT LIABILITIES			
Bank borrowings (ijarah facility)	11(a)	2,808,778	3,525,914
Employees' end of service benefits	12	3,400,271	2,596,698
Total non-current liabilities		6,209,049	6,122,612
CURRENT LIABILITIES			
Trade and other payables	13	520,341,757	386,951,495
Bank borrowings (ijarah facility)	11(a)	717,136	717,136
Short-term loan	11(b)	36,700,000	-
Total current liabilities		557,758,893	387,668,631
Total equity and liabilities		757,182,053	583,974,739

Independent auditors' report on page 2 to 5.

Abdel Hadi AL Sadi
CEO

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	*2022 AED*	*2021 AED*
INCOME			
Commission and advisory income	16	53,149,573	41,154,792
Income from margin trading		22,043,923	16,677,084
Finance income		116,782	46,720
Other income	17	10,026,106	7,477,535
		85,336,384	65,356,131
EXPENSES			
General and administrative expenses	18	(62,590,793)	(47,234,840)
Allowance for expected credit loss	7	(17,700)	(4,500,000)
Financial charges		(2,905,040)	(635,914)
		(65,513,533)	(52,370,754)
PROFIT FOR THE YEAR		19,822,851	12,985,377
STATEMENT OF COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Other comprehensive (loss)		-	-
Net other comprehensive (loss) not to be reclassified subsequently to profit or loss		-	-
Items that will be reclassified subsequently to profit or loss:			
Net other comprehensive (loss) to be reclassified subsequently to profit or loss		(4,141,962)	(760,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		15,680,889	12,225,377
Basic and diluted profit/earnings per share (AED per share)		0.119	0.075

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Share capital AED Note 10	*Treasury shares AED Note 10(a)*	*Legal reserve AED Note 10(b)*	*Merger reserve AED*	*Fair value through OCI reserve AED*	*Retained earnings AED*	*Total AED*
Balance at 1 January 2021	563,841,748	(2,000,000)	4,241,735	(390,410,680)	(115,793)	2,401,109	177,958,119
Reduction due to cancelled shares	(390,410,680)	-	-	390,410,680	-	-	-
Comprehensive income							
Profit for the year	-	-	-	-	-	12,985,377	12,985,377
Other comprehensive income for the year							
Change in investment at fair value through other comprehensive income	-	-	-	-	(760,000)	-	(760,000)
Total comprehensive income for the year	-	-	-	-	(760,000)	12,985,377	12,225,377
Transactions with owners:							
Transfer to legal reserve	-	-	1,298,537	-	-	(1,298,537)	-
Total transactions with owners	-	-	1,298,537	-	-	(1,298,537)	-
Balance at 31 December 2021	173,431,068	(2,000,000)	5,540,272	-	(875,793)	14,087,949	190,183,496
Comprehensive income							
Profit for the year	-	-	-	-	-	19,822,851	19,822,851
Other comprehensive income for the year							
Change in investment at fair value through other comprehensive income	-	-	-	-	(4,141,962)	-	(4,141,962)
Total comprehensive income for the year	-	-	-	-	(4,141,962)	19,822,851	15,680,889
Transactions with owners:							
Acquisition of treasury shares	-	(12,650,274)	-	-	-	-	(12,650,274)
Transfer to legal reserve	-	-	1,982,285	-	-	(1,982,285)	-
Total transactions with owners	-	(12,650,274)	1,982,285	-	-	(1,982,285)	(12,650,274)
Balance at 31 December 2022	173,431,068	(14,650,274)	7,522,557	-	(5,017,755)	31,928,515	193,214,111

Balances in (brackets) indicate debit amounts

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	2022 *AED*	*2021* *AED*
OPERATING ACTIVITIES		
Profit for the year	19,822,851	12,985,377
Adjustment for:		
Depreciation and amortisation	2,765,736	2,704,511
Unrealised gain on investments	495,012	(44,738)
Interest on bank borrowings	1,736,900	121,617
Interest income on deposits	(116,782)	(46,720)
Exchange gain	(1,225,299)	(1,338,015)
Impairment loss on investment property	-	740,000
Allowance for expected credit loss	17,700	4,500,000
Provision for employees' end of service benefits	977,868	917,159
Gain on sale of investment property	(58,000)	-
(Loss) / gain on disposal of property and equipment	(80,248)	15,772
Operating profit before working capital changes	24,335,738	20,554,963
Change in short term deposit under lien	(5,000,000)	-
Change in Trade and other receivables	(144,594,627)	(2,518,084)
Change in trade and other payables	110,439,420	(12,892,615)
	(14,819,469)	5,144,264
Interest received on deposits	116,782	46,720
Payment of gratuity	(174,295)	(86,626)
Cash flow (used in) / from operating activities	(14,876,982)	5,104,358
INVESTING ACTIVITIES		
(Purchase) of property and equipment	(473,408)	(1,289,070)
Sale proceeds of fixed asset	102,190	85,691
(Purchase) of financial assets through P&L	(711,871)	(2,882,819)
(Purchase) of financial assets through OCI	(4,954,500)	-
Payments for investment properties	(232,000)	-
Proceeds from the sale of investment properties	5,040,000	-
Cash flow (used in) investing activities	(1,229,589)	(4,086,198)
FINANCING ACTIVITIES		
Repayment of bank borrowings	(717,136)	(717,136)
Interest paid on bank borrowings	(1,736,900)	(121,617)
Purchase of treasury shares	(12,650,274)	-
Additions of short-term loan	36,700,000	-
Cash flow from / (used in) financing activities	21,595,690	(838,753)

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

Year ended 31 December 2022

	2022 *AED*	*2021* *AED*
INCREASE IN CASH AND CASH EQUIVALENTS	5,489,119	179,407
Exchange gain	1,225,299	1,338,015
Net Increase in cash and cash equivalents after exchange loss	6,714,418	1,517,422
Cash and cash equivalents at 1 January	21,824,937	20,307,515
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	28,539,355	21,824,937
Represented by:		
Cash and bank balances	359,177,119	329,751,859
Client deposits	(330,637,764)	(307,926,922)
Cash and cash equivalents at the end of year (Note 9)	28,539,355	21,824,937

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

BHM Capital Financial Services PSC was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Law No. (32) of 2021 ("Commercial Companies Law").

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

On 14 July 2009, Al Safwa Islamic Financial Services established a subsidiary by subscribing to 10,000,000 shares of AED 1 each representing 100% equity shares in Al Safwa Capital LLC (the "Subsidiary") incorporated in the Emirates of Sharjah in accordance with the provision of the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law"). The principal activity of the subsidiary is to hold investment properties and investment securities.

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

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

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

The consolidated financial statements have been approved by Board of Directors on 10 February 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared on going concern basis and in accordance with International Financial Reporting Standards (IFRS) as issued and adopted by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee of the IASB enforce at 31 December 2022 and the requirements of the local laws and regulations.

Accounting convention

The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Functional and presentation currency

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entity controlled by the Company (its subsidiary) as at 31 December 2022. Control is achieved where all the following criteria are met:

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

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

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

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

For the year ended on 31 December 2022, the Company has one subsidiary which was established on 14 July 2009 by subscribing to 10,000,000 shares of AED 1 each representing 100% equity shares in Al Safwa Capital LLC (the "subsidiary") incorporated in the Emirates of Sharjah. The principal activity of the subsidiary is to hold investment properties and investment securities.

2.2 Changes in accounting policies and disclosures

a) New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

a) New and amended standards and interpretations *(continued)*

These amendments had no impact on the financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

b) New standards, interpretations and amendments not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The following amendments are effective for the period beginning 1 January 2023:

- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Disclosure of Accounting Policies, Classification of Liabilities as Current or Non-current (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

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

2.3 Summary of significant accounting policies

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current

Property and equipment and depreciation

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Property and equipment and depreciation *(continued)*

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

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

	Years
Office equipment	6-7
Furniture and fixtures	8
Computer hardware and related software	4
Machinery and Equipment	4
Building	15 – 33

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured under fair value model. Gain or loss arising from fluctuation of fair value of investment property will be recognized in consolidated statement of comprehensive income.

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

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

Intangible assets

Goodwill

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

Other intangible assets

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

Amortization

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

Goodwill is not amortized.

Financial instruments

Classification of financial assets

Initial recognition

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Financial instruments *(continued)*

Classification of financial assets *(continued)*

a) Financial assets measured at amortised cost:

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

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

For the year ended on 31 December 2022, the Group's financial assets at amortised cost include trade receivables, other receivables, deposits, short term deposit under lien and cash and bank balances.

b) Financial assets measured at FVOCI:

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

For the year ended on 31 December 2022, the Group carries on investment in National Real Estate Development and Investment SAOC and Quoted shares which are classified as FVOCI.

c) Financial assets measured at FVTPL:

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

All other financial assets are classified as measured at FVTPL.

For the year ended on 31 December 2022, the Group carries trading investments in quoted shares which are to be classified as measured at FVTPL.

Business model assessment

The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the frequency, volume and timing of trades of financial assets in prior years, the reasons for such trades and its expectations about the future trading activity. However, information about trading activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized;
- how the performance of the portfolio is evaluated and reported to the management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Financial instruments *(continued)*

Business model assessment (continued)

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

Assessment, whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as fair value of financial asset on initial recognition. 'interest' is defined as consideration for the time value of money and for the credit risk associated with the outstanding principal.

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

Reclassification of financial assets:

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

Derecognition of financial assets:

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of an equity instruments designated as FVOCI is reclassified to retained earnings upon derecognition.

Impairment of financial assets

IFRS 9 Impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12- month PD that represents the probability of default occurring over the next 12 months. For those assets with a remaining maturity of less than 12 months, a PD is used that corresponds to remaining maturity.

Stage 2 – When a financial asset experiences a SICR subsequent to origination but is not credit impaired, it is considered to be in stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of default occurring over the remaining estimated life of the financial asset. Provisions are higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in stage 1.

Stage 3 – Financial assets that are impaired will be included in this stage. Similar to stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

The impairment model will apply to financial assets measured at amortised cost or FVOCI – debt instruments. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

IFRS 9 considers the calculation of ECL by multiplying the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Impairment of financial assets *(continued)*

PD – The probability of default is an estimate of the likelihood of default over a given time horizon. LGD – The loss given default is an estimate of the loss arising in case a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD. EAD – The exposure at default is an estimate of the expected exposure in the event of a default and the potential changes to the current amount allowed under the contract including amortisation.

Measurement of ECL

The Company recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVPL:

- Cash at bank; and
- Receivables;

No impairment loss is recognised on equity investments.

Credit-impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for financial guarantee contracts: generally, as a provision

Financial liabilities

Initial recognition

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

Measurement of financial liabilities:

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

a) *Financial liabilities at FVTPL:*

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

For the year ended on 31 December 2022, the Group has not designated any financial liability as at FVTPL.

b) *Other financial liabilities:*

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

For the year ended on 31 December 2022, the Group’s trade and other payables, bank borrowing and short-term loan were designated under this category of financial liability.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Financial liabilities *(continued)*

Derecognition of financial liabilities:

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

Offsetting of financial instruments:

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

Operating segments

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Provisions

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

Employees' end of service benefits

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

Revenue from contracts with customers

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

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

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

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

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

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

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

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

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

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

Commission income

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

Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Summary of significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

Consultancy income

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

Asset management and liquidity provider fees

Revenue from asset management and liquidity provider services are recognised over time as the services are provided. Income from asset management and as liquidity provider recognised as revenue over the period for which a customer is expected to continue receiving asset management services.

Other income

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

Foreign currencies

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

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

2.4 Significant accounting judgements, estimates and assumptions

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

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

- *Useful lives of property and equipment*

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

- *Useful life of investment property*

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

- *Impairment charge on financial assets:*

  Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario: When measuring Expected Credit Losses ("ECL") the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

  Probability of default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

  Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

  Exposure at Default: EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

- *Impairment of Goodwill*

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

- *Lease term*

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

3 GOODWILL AND OTHER INTANGIBLE ASSETS

Pursuant to a merger agreement between Al Safwa and MFS and shareholder resolutions of respective entities dated 21 January 2016,

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

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

	Goodwill AED	*Client relationships AED*	*Software AED*	*Total AED*
Cost:				
As at 1 January 2021	38,379,061	7,900,000	32,715	46,311,776
Addition during the year	-	-	-	-
As at 31 December 2021	38,379,061	7,900,000	32,715	46,311,776
Addition during the year	-	-	-	-
As at 31 December 2022	38,379,061	7,900,000	32,715	46,311,776
Amortization:				
As at 1 January 2021	-	3,160,000	29,041	3,189,041
Charge for the year	-	790,000	3,674	793,674
As at 31 December 2021	-	3,950,000	32,715	3,982,715
Charge for the year	-	790,000	-	790,000
As at 31 December 2022	-	4,740,000	32,715	4,772,715
Net book amounts:				
As at 31 December 2022	38,379,061	3,160,000	-	41,539,061
As at 31 December 2021	38,379,061	3,950,000	-	42,329,061

3 GOODWILL AND OTHER INTANGIBLE ASSETS *(continued)*

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

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

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

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

- 13% discount rate;
- 25% to 40% per annum projected revenue growth rate
- 25% to 40% per annum increase for 2023, 2024 and 2025 in the operating cost and overhead. Management believes the forecasted revenue growth rate is prudent, in the UAE stock markets over the 3 years.

4 PROPERTY AND EQUIPMENT

	Furniture & Fixture AED	*Computer equipment AED*	*Machinery & equipment AED*	*Office equipment AED*	*Vehicle AED*	*Building AED*	*Total AED*
Cost:							
At 1 January 2021	2,545,417	7,816,169	6,008,866	1,823,313	585,637	21,996,021	40,775,423
Additions	41,773	67,588	105,180	553,929	520,600	-	1,289,070
Disposal during the year	(3,250)	-	-	-	(160,203)	-	(163,453)
At 31 December 2021	2,583,940	7,883,757	6,114,046	2,377,242	946,034	21,996,021	41,901,040
Additions	34,930	150,667	53,102	234,709	-	-	473,408
Disposal during the year	-	(14,000)	(60,300)	-	(279,406)	-	(353,706)
At 31 December 2022	2,618,870	8,020,424	6,106,848	2,611,951	666,628	21,996,021	42,020,742
Depreciation:							
At 1 January 2021	1,977,554	7,776,938	4,058,971	1,646,139	382,042	13,531,956	29,373,600
Charge for the year	150,149	22,763	734,926	175,734	70,300	756,964	1,910,836
Disposal during the year	(3,250)	-	-	-	(58,741)	-	(61,991)
At 31 December 2021	2,124,453	7,799,701	4,793,897	1,821,873	393,601	14,288,920	31,222,445
Charge for the year	146,872	65,265	648,115	229,842	128,679	756,963	1,975,736
Disposal during the year	-	(14,000)	(60,300)	-	(257,464)	-	(331,764)
At 31 December 2022	2,271,325	7,850,966	5,381,712	2,051,715	264,816	15,045,883	32,866,417
Net book amounts:							
At 31 December 2022	347,545	169,458	725,136	560,236	401,812	6,950,138	9,154,325
At 31 December 2021	459,487	84,056	1,320,149	555,369	552,433	7,707,101	10,678,595

Building includes the Office premises in Dubai which is mortgaged with the facility provided by Bank (Note 11).

5 INVESTMENT PROPERTIES

	2022 AED	*2021 AED*
Cost:		
As at 1 January – at independent valuation	4,510,000	5,250,000
Addition	232,000	-
Impairment loss	-	(740,000)
Dispose off during the year	(4,742,000)	
As at 31 December	-	4,510,000

During the current year, the Group has disposed of the property for AED 5,040,000 and recognised a gain of AED 58,000 (refer note 17).

6 FINANCIAL ASSETS

The Group have the following financial assets:

FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

	2022 AED	*2021 AED*
Investment in private joint stock company	2,993,946	2,993,946
Investment in quoted shares	812,538	-
Total financial assets through other comprehensive income	3,806,484	2,993,946

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Listed AED	*Unlisted AED*	*Total AED*
As at 01 January 2021	-	3,753,946	3,753,946
Change in fair value	-	(760,000)	(760,000)
As at 31 December 2021	-	2,993,946	2,993,946
Addition	4,954,500	-	4,954,500
Change in fair value	(4,141,962)	-	(4,141,962)
As at 31 December 2022	812,538	2,993,946	3,806,484

Investment in securities classified as fair value through other comprehensive income (FVTOCI) represents 2.5% of interest held in National Real Estate Development and Investment SAOC, a private joint stock company incorporated in the Sultanate of Oman and primarily involved in real estate development. The investment was acquired through the business combination.

The Company elected to present in OCI the changes in the fair value of the quoted shares investment because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

FINANCIAL ASSETS THROUGH PROFIT AND LOSS

	2022 AED	*2021 AED*
As at 1 January	11,775,977	8,848,421
Additions during the year	711,871	2,882,818
Fair value change during the year (unrealised)	(495,012)	44,738
As at 31 December	11,992,836	11,775,977

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

7 TRADE AND OTHER RECEIVABLES

	2022 AED	2021 AED
Trade receivables (note 7.1)	260,308,538	162,671,130
Allowances for expected credit losses (note 7.2)	(4,536,408)	(4,518,708)
	255,772,130	158,152,422
Prepayments	1,359,257	2,001,868
Other receivables:		
Net settlement due from:		
- NASDAQ	-	79,299
- ADX	-	313,574
- DFM	13,036,944	-
Deposits	8,429,518	6,250,335
Receivable from broker	3,673,672	515,210
Others	31,139,707	1,521,593
Total trade and other receivables	313,411,228	168,834,301

7.1 The Group has obtained the brokerage license from SCA under registration No.604097 dated 05/08/2006, whereby the Group provides finance to its clients as a percentage of the market value of securities. These securities are considered as collateral and remains under the client's portfolio. The financing agreements are short term and the bearing interest on it. However, if the customer fails to settle within prescribed time, the management can levy interest at its own discretion.

Investors who borrow from the Group will need to provide additional cash or securities if the price of a stock drops against the product's minimum eligibility. In the absence of adequate collateral, the Group is also allowed to liquidate the position. The fair value of securities held as collateral against margin trading receivables as at 31 December 2022 amounts to AED 2.1 billion (31 December 2021: AED 1.1 billion).

The Company charges interest on Margin Trading clients based on signed grace period. Interest income during the year amounted to AED 22,043,923 (31 December 2021: AED 16,677,084).

7.2 Movement in allowance for expected credit losses:

	2022 AED	2021 AED
At 1 January	4,518,708	47,358
Provision during the year	17,700	4,500,000
Reversal of provision	-	(28,650)
At 31 December	4,536,408	4,518,708

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

7 TRADE AND OTHER RECEIVABLES *(continued)*

7.2 Movement in allowance for expected credit losses: *(continued)*

Given the nature of business of BHM Capital Financial Services PSC which is margin lending and is primarily fully collateralised with daily netting-off, the assets monitored closely and collateral may be liquidated when margins are below threshold or non-payment of commitment. When margin lending experiences significant increase in credit risk but is not considered to be impaired is included in stage 2. When margin lending are considered to be impaired is treated as stage 3.

8 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

8(a) Transactions during the year

	2022 *AED*	*2021* *AED*
Salary and benefits provided to key management personnel	5,624,625	4,417,189

9 CASH AND BANK BALANCES

	2022 *AED*	*2021* *AED*
Cash and bank		
- Group's deposits	28,539,231	21,824,741
- Petty cash	124	196
- Customers' deposits (note 9.1)	330,637,764	307,926,922
Cash and bank	359,177,119	329,751,859
Customer deposits	(330,637,764)	(307,926,922)
Cash and cash equivalents	28,539,355	21,824,937

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

10 SHARE CAPITAL

	2022 Number of shares	*2021 Number of shares*
In issue at 1 January	173,431,068	563,841,748
Cancellation of shares	-	(390,410,680)
In issue at 31 December	173,431,068	173,431,068
Total paid in capital (AED)	173,431,068	173,431,068

Capital Adequacy Management

The Group manages its capital adequacy to ensure compliance with decision no. (27) of 2014 concerning the criteria for capital adequacy of the brokerage firms in securities and commodity contracts. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policy or processes during the years ending 31 December 2022 and 31 December 2021.

10(a) Treasury shares

	2022 No. of shares	*2021 No. of shares*	*2022 AED*	*2021 AED*
Employee Stock Options Program	14,688,143	615,204	14,650,274	2,000,000

10(b) Legal reserve

In accordance with UAE Federal Law (32) of 2021 ("Commercial Companies Law"), a minimum of 10% of the annual profit is to be transferred to this non-distributable statutory reserve. Such transfers may cease when the statutory reserve becomes equal to half of the paid-up share capital. In the current year, 1,982,285 (2021: AED 1,298,537) has been transferred to legal reserve.

11(a) BANK BORROWINGS (IJARAH FACILITY)

	2022 AED	*2021 AED*
Bank borrowings (note 11.1)	3,525,914	4,243,050
Disclosed under statement of financial position as follows:		
Non-current portion of bank borrowings	2,808,778	3,525,914
Current portion of bank borrowings	717,136	717,136
	3,525,914	4,243,050

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

11(b) SHORT-TERM LOAN

	2022 AED	2021 AED
Short-term loan	36,700,000	-

During the year, the Company has obtained the short-term loan at the rate of 5.5% per annum. The loan is repayable on demand and duration of loan is 1 year. Accordingly disclosed under current liabilities.

11(c) The Group has obtained following facilities from bank:

Facility	*Interest*	*Limit (AED)*
General limit		
Letter of guarantee	1% p.a.	50,000,000
Bank overdraft	2.5% over 1- month EIBOR with minimum of 3.5% p.a. to be paid monthly	45,000,000

12 EMPLOYEES' END OF SERVICE BENEFITS

	2022 AED	2021 AED
Provision at the beginning of the year	2,596,698	1,766,165
Charge for the year	977,868	917,159
Paid during the year	(174,295)	(86,626)
Provision at the end of the year	3,400,271	2,596,698

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

13 TRADE AND OTHER PAYABLES

	2022 AED	2021 AED
Customers' deposits	330,637,764	307,926,922
Customers' deposits with foreign markets	37,560,507	15,988,013
Net settlement due to:		
- Dubai Financial Market	-	9,661,978
- Abu Dhabi Securities Exchange	40,355,969	-
- Nasdaq Dubai	1,149	-
Short term advances	10,507,012	31,078,549
Other payables and accruals	101,279,356	22,296,033
Total trade and other payables	520,341,757	386,951,495

Customers' deposit represents amount deposited by the customer for trading purpose and the sale proceeds received from stock markets on trades executed on behalf of customers not yet transferred to customer account, in the normal course of the Group's business.

14 CONTINGENT LIABILITIES

	2022 *AED*	*2021* *AED*
Abu Dhabi Securities Exchange (ADX)	33,000,000	23,000,000
Dubai Financial Markets (DFM)	17,000,000	11,000,000
NASDAQ Dubai Limited (NASDAQ)	5,527,500	5,527,500
Securities and Commodities Authority (SCA)	-	1,000,000
	55,527,500	40,527,500

The guarantees issued are secured by fixed deposits of AED 19,196,900 (31 December 2021: AED 13,101,000).

As per SCA regulations, a broker is required to have an enforceable bank guarantee payable to the respective stock markets. This guarantee was provided by the Group to the NASDAQ, the Abu Dhabi Securities Exchange and the Dubai Financial Market, remains valid till a written letter from the market stated end of its purpose is received to bank.

15 COMMITMENTS

Capital commitments

	2022 *AED*	*2021* *AED*
Development expenditure on investment property	-	281,507

The Group signed an agreement with a contractor on 2 February 2014 to construct six sheds on land which is classified as investment property in the Group's consolidated financial statements. The total value of the contract was AED 2.6 million and initially the Group paid AED 2.38 million as per the agreement. Since the Investment Property has been sold during the year (Note 5), this due has been settled with mutually agreed amount of AED 232,000 during the second quarter of 2022.

16 COMMISSION AND ADVISORY INCOME

	2022 *AED*	*2021* *AED*
Commission income net – at point in time	52,199,923	40,638,732
Advisory income	949,650	516,060
Total commission and advisory income	53,149,573	41,154,792

17 OTHER INCOME

	2022 *AED*	*2021* *AED*
Foreign exchange gain	1,225,299	1,338,015
Other miscellaneous income	3,687,902	3,406,751
Gain on sale of investment properties	58,000	-
Gain on financial assets through profit and loss	5,054,905	2,732,769
Total other income	10,026,106	7,477,535

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 AED	*2021 AED*
Staff cost	38,906,406	31,841,312
Trading cost	7,699,480	7,074,008
Depreciation on property and equipment	1,975,736	1,910,836
Amortization on intangible assets	790,000	793,675
Short term lease expenses	444,229	426,055
Legal and Professional	2,278,860	646,748
Registration and licensing	880,052	821,235
Communication	327,840	369,386
Other expenses	9,288,190	3,351,585
Total general and administration expenses	62,590,793	47,234,840

19 BASIC AND DILUTED EARNINGS PER SHARE

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

	2022 AED	*2021 AED*
Profit for the year attributable to shareholders of the Group	19,822,851	12,985,377
Weighted average number of shares outstanding during the year	166,084,453	173,431,068
Basic and diluted profit per share (AED per share)	0.119	0.075

20 FINANCIAL INSTRUMENTS

The financial asset of the Group comprises investment at FVTOCI & FVTPL, trade receivables, other receivables, deposits, short term deposit under lien and cash and bank balances. The financial liabilities of the Group include trade and other payables, bank borrowing and short-term loan. The accounting policies for financial assets and liabilities are set out in note (2.3).

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

FINANCIAL ASSETS	*2022 AED*	*2021 AED*
At amortised cost	689,330,090	509,685,292
Financial assets at fair value through profit and loss	11,992,836	11,775,977
Financial assets through other comprehensive income	3,806,484	2,993,946
Balance at 31 December	705,129,410	524,455,215
FINANCIAL LIABILITIES		
At fair value through profit and loss		
Measured at amortised cost:		
- Borrowings	40,225,914	4,243,050
- Other financial liabilities	520,341,758	386,951,494
Balance at 31 December	560,567,672	391,194,544

20 FINANCIAL INSTRUMENTS *(continued)*

Fair value

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

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

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting year during which the change occurred. The disclosures for fair value hierarchy in respect of Investment at the fair value through OCI are disclosed in note 21.

21 INFORMATION ON FINANCIAL RISKS

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

Market risks

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

Equity price risk:

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

Risk of disputes:

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

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

Credit risk:

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 balances due from stock markets and bank balances.

Exposure to credit risk

The carrying amount of financial assets which has been disclosed in respective notes in these financial statements represents the maximum credit exposure.

Due from stock market

Due from stock markets represents the net amount receivable from recognised stock exchanges against trades executed on the last two working days of the year.

21 INFORMATION ON FINANCIAL RISKS *(continued)*

Margin trading receivables

The margin is the amount contributed by the Group to its clients towards the purchase of securities in their margin account. The Group secures its financial asset against collateral from the counterparties and enters into an agreement with its clients covering the financial risks.

The Group holds the right to liquidate the customer's collateral to cover the margin facility due to the drop in market value of the collateral below the threshold and the same has been agreed with the customer, hence no loss was incurred. The total collateral liquidated by the Company during the year is nil (31 December 2021: nil).

Cash and bank balances

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposure. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Guarantees

The Group has provided guarantees to NASDAQ, Abu Dhabi Securities Exchange and Dubai Financial Market in accordance with stock exchange listing regulations.

Settlement risk

The Group's activities may give rise to risk at the time of settlement of the transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. Any delay in settlement is rare and monitored.

Liquidity risk

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

The table below summaries the maturities of the Group undiscounted financial liabilities at 31 December 2022 and 31 December 2021, based on contractual payments.

2022	*Carrying amount AED*	*Contractual cash flows AED*	*Up to 3 months AED*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*
Amounts due to investors	376,042,466	376,042,466	376,042,466	-	-	-
Bank borrowing	3,525,914	3,947,649	219,793	648,775	3,079,081	-
Short-term loan	36,700,000	36,700,000	-	36,700,000	-	-
Total	416,268,380	416,690,115	376,262,259	37,348,775	3,079,081	-
2021						
Amounts due to investors	323,914,935	323,914,935	323,914,935	-	-	-
Bank borrowing	4,243,050	4,846,335	228,170	674,371	3,270,785	673,009
Total	328,157,985	328,761,270	324,143,105	674,371	3,270,785	673,009

Interest rate risk

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

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

21 INFORMATION ON FINANCIAL RISKS *(continued)*

Interest rate risk *(continued)*

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

	2022 *AED*	*2021* *AED*
FINANCIAL ASSETS		
Non-interest bearing	426,719,872	348,683,085
Fixed rate	278,409,538	175,772,130
	705,129,410	524,455,215
FINANCIAL LIABILITES		
Non-interest bearing	520,341,757	386,951,494
Floating rate	40,225,914	4,243,050
	560,567,671	391,194,544

The Group is not exposed to any interest risk since its financial assets and liabilities are either interest free or at fixed rate interest. Financial assets at fixed rate include amounts receivables from investors and guarantee deposits. The rate of interest on these instruments is between 1% to 15%.

Financial liabilities at fixed rate interest include short-term loan. The rate of interest on borrowings is fixed at 5.5% p.a. financial liabilities at floating rate of interest include bank borrowings. The rate of interest is disclosed in note 11 of the financial statements.

Sensitivity analysis

A hypothetical increase in the interest rate by 100 basis points would increase loss by AED 402,259 (2021: AED 42,430).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's financials assets designated in Saudi Riyals and US Dollars constitute the major foreign receivable which do not fluctuate much. Foreign receivables designated in currencies other than Saudi Riyals and US Dollars are insignificant in terms of amount and management believes that currency risk associated is minimal.

Financial assets analysed by currency are as follows:

	2022 *AED*	*2021* *AED*
Saudi Riyal	1,425,820	-
US Dollar	1,468,555	430,592
Kuwaiti Dinar	7,993	63,555
Egyptian Pounds	451,465	170,422
Omani Riyal	-	2,019
Sterling Pound	69,863	3,500
Hong Kong Dollar	284	362
Australian Dollar	-	658
Canadian Dollar	869	915
Qatari Riyal	126,074	14,787
Norwegian Krone	87,982	-
Japanese Yen	30,767	-
United Arab Emirates Dirham	701,459,738	523,768,405
Balance as at 31 December	705,129,410	524,455,215

21 INFORMATION ON FINANCIAL RISKS *(continued)*

Currency risk *(continued)*

Financial liabilities analysed by currency are as follows:

	2022 AED	*2021 AED*
Saudi Riyal	4,636,854	2,513,777
US Dollar	29,975,720	12,580,992
Kuwaiti Dinar	7,869	25,391
Bahraini Dinar	(4)	(597)
Egyptian Pounds	577,017	456,584
Omani Riyal	3,836	180,300
Sterling Pound	67,530	3,294
Euro	596,012	368,367
Hong Kong Dollar	12,865	804
Australian Dollar	(507)	276
Canadian Dollar	15,837	16,673
Qatari Riyal	123,514	13,765
United Arab Emirates Dirham	524,551,128	375,034,918
Balance as at 31 December	560,567,671	391,194,544

Fair value estimation

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

Level 1 – Quoted prices in active markets

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

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

The following table analyses, within the fair value hierarchy, the Group's financial assets measured at fair value at 31 December 2022.

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
31 December 2022				
Financial assets – Investment at fair value through P&L	11,992,836	-	-	11,992,836
Financial assets – Investment at fair value through OCI	-	-	3,806,484	3,806,484
31 December 2021				
Financial assets – Investment at fair value through P&L	11,775,977	-	-	11,775,977
Financial assets – Investment at fair value through OCI	-	-	2,993,946	2,993,946

22 SIGNIFICANT EVENT

Corporate Income Tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

A rate of 9% will apply to taxable income exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance), a rate of 0% will apply to taxable income not exceeding this threshold [and a rate of 0% on qualifying income of free zone entities]. In addition, there are several other decisions that are yet to be finalized by way of a Cabinet Decision that are significant in order for entities to determine their tax status and taxable income. Therefore, pending such important decisions, the Group has considered that the Law, as it currently stands, is not substantively enacted as at 31 December 2022 from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.