

SICO Financial Brokerage L.L.C.

Condensed Interim Financial Statements
(Unaudited)

For the nine months period ended 30 September 2020

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

For the nine months period ended 30 September 2020

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**Review report on the condensed interim financial statements
To the Shareholders of SICO Financial Brokerage L.L.C.**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of SICO Financial Brokerage L.L.C. (the “Company”) as at 30 September 2020 and the related condensed interim statement of comprehensive income, the condensed interim statement of changes in equity, the condensed interim statement of cash flows for the nine months period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 “Interim Financial Reporting”.

Grant Thornton

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 4 November 2020

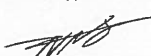


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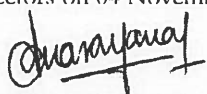
Condensed interim statement of financial position
As at 30 September 2020

	Notes	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
Assets			
Current assets			
Cash and cash equivalents	5	57,467,432	47,675,178
Trade and other receivables	6	2,216,700	2,217,246
Margin loans	7	38,337,385	54,778,160
Other current assets		1,698,908	609,406
Total current assets		99,720,425	105,279,990
Non-current assets			
Intangible assets		40,635	44,887
Property and equipment		1,467,830	1,799,144
Total non-current assets		1,508,465	1,844,031
Total assets		101,228,890	107,124,021
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	8	50,000,000	50,000,000
Shareholder's contribution	8	19,455,664	19,455,664
Legal reserves	8	2,362,215	2,362,215
Accumulated losses		(24,368,192)	(25,271,363)
Total shareholders' equity		47,449,687	46,546,516
Liabilities			
Current liabilities			
Lease liability	9	237,895	237,895
Trade and other payables	10	13,401,586	15,849,224
Due to a related party	11	39,014,485	43,176,001
Total current liabilities		52,653,966	59,263,120
Non-current liabilities			
Lease liability	9	610,078	866,483
Provision for employees' end of service benefits		515,159	447,902
Total non-current liabilities		1,125,237	1,314,385
Total liabilities		53,779,203	60,577,505
Total shareholders' equity and liabilities		101,228,890	107,124,021

These condensed interim financial statements were approved by the Board of Directors on 04 November 2020 and signed on their behalf by:



Najla Shirawi
 Chairman



Anantha Narayanan
 Vice Chairman

The accompanying notes from 1 to 13 form an integral part of these condensed interim financial statements.

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of comprehensive income
For the nine months period ended 30 September 2020

		(Unaudited) Three-month period ended 30 September 2020 AED	(Unaudited) Three-month period ended 30 September 2019 AED	(Unaudited) Nine-month period ended 30 September 2020 AED	(Unaudited) Nine-month period ended 30 September 2019 AED
	Notes				
REVENUE					
Brokerage commission revenue		1,272,329	1,169,695	3,834,529	3,260,305
Interest income	7	846,252	183,018	2,792,440	483,151
Other income		-	-	-	2,775
		2,118,581	1,352,713	6,626,969	3,746,231
EXPENSES					
General and administrative expenses	12	1,452,380	1,363,694	4,649,582	4,265,410
Finance costs		65,159	139,014	416,737	532,741
Commission and rebate		107,622	3,803	315,820	144,500
Depreciation and amortisation expense		112,579	114,012	341,659	279,434
		1,737,740	1,620,523	5,723,798	5,222,085
Profit/(loss) for the period		380,841	(267,810)	903,171	(1,475,854)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income / (loss) for the period		380,841	(267,810)	903,171	(1,475,854)

The accompanying notes from 1 to 13 form an integral part of these condensed interim financial statements.

**SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)**

**Condensed interim statement of changes in equity
For the nine months period ended 30 September 2020**

	Share capital AED	Shareholder's Contribution AED	Legal reserves AED	Accumulated losses AED	Total shareholders' equity AED
Balance as at 1 January 2020 (Audited)	50,000,000	19,455,664	2,362,215	(25,271,363)	46,546,516
Total comprehensive income for the period	-	-	-	903,171	903,171
Balance as at 30 September 2020 (Unaudited)	50,000,000	19,455,664	2,362,215	(24,368,192)	47,449,687
Balance as at 1 January 2019 (Audited)	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 period	-	-	-	(1,475,854)	(1,475,854)
Balance as at 30 September 2019 (Unaudited)	50,000,000	19,455,664	2,362,215	(25,460,538)	46,357,341

The accompanying notes from 1 to 13 form an integral part of these condensed interim financial statements

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Condensed interim statement of cash flows
For the nine months period ended 30 September 2020

	Notes	(Unaudited) Nine-month period ended 30 September 2020 AED	(Unaudited) Nine-month period ended 30 September 2019 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period		903,171	(1,475,854)
<i>Adjustments for non-cash items:</i>			
Finance cost		416,737	532,741
Depreciation of property and equipment		337,407	275,181
Provision for employees' end of service benefits	12	99,966	94,833
Amortisation of intangible assets		4,252	4,253
Interest income	7	(2,792,440)	(483,151)
Operating loss before changes in working capital		(1,030,907)	(1,051,997)
Changes in working capital			
Change in trade and other receivables		546	1,484,015
Change in margin loans		16,440,775	(30,747,877)
Change in other current assets		(1,089,502)	2,287,069
Change in trade and other payables		(2,447,638)	11,579,979
Change in due to related party		(4,161,516)	18,675,327
Cash generated from operations		7,711,758	2,226,516
Payment for employees' end of service benefits		(32,709)	(11,800)
Interest received on margin loans		2,792,440	106,356
Net cash generated from operating activities		10,471,489	2,321,072
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on fixed deposits		-	376,795
Payments for purchase of property and equipment		(6,093)	(372,111)
Net cash (used in)/generated from investing activities		(6,093)	4,684
CASH FLOW FROM FINANCING ACTIVITIES			
Payment of lease installment		(289,000)	-
Finance cost paid		(384,142)	(497,361)
Net cash used in financing activities		(673,142)	(497,361)
Net increase in cash and cash equivalents		9,792,254	1,828,395
Cash and cash equivalents, beginning of period		47,675,178	70,492,495
Cash and cash equivalents, end of period	5	57,467,432	72,320,890

The accompanying notes from 1 to 13 form an integral part of these condensed interim financial statements.

SICO Financial Brokerage L.L.C. Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements For the nine months period ended 30 September 2020

1 Legal status and activities

SICO Financial Brokerage L.L.C. (the "Company") 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 Exchange ("ADX"), Dubai Financial Market ("DFM") 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) (the "Parent Company"), a Bahrain-based GCC asset manager, broker and investment bank.

2 General information

2.1 Statement of compliance

The condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as issued by the International Accounting Standard Board ("IASB") and also comply with the applicable requirements of the laws in the UAE.

2.2 Basis of preparation

The condensed interim financial statements are for the nine months period ended 30 September 2020 and are presented in United Arab Emirates Dirham (AED), which is the functional and presentation currency of the Company.

The condensed interim financial statements have been prepared on the historical cost basis.

The condensed interim financial statements have been prepared in accordance with IAS 34. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the financial statements for the year ended 31 December 2019. In addition, the results for the nine months period ended 30 September 2020 are not necessarily an indication of the results that may be expected for the financial year ending 31 December 2020.

These condensed interim financial statements have been prepared on a consistent basis with the accounting policies and estimates adopted in the Company's most recent annual financial statements for the year ended 31 December 2019 except for the adoption of new standards and interpretations effective 1 January 2020.

3 Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2019 except for the adoption of new standards and interpretations effective 1 January 2020.

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective on or after 1 January 2020

In the current period, the Company has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2020. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company’s future transactions or arrangements.

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 3 regarding the definition of business.
- Amendment to IFRS 7, IFRS 9 and IAS 39 regarding the interest rate benchmark reforms.
- Amendments to IAS 1 and IAS 8 regarding the definition of materiality.
- Amendments to IFRS 16 regarding Covid-19 related rent concession.

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

Standards and interpretations in issue but not yet effective

New standards and revised IFRSs not yet effective and has not been adopted early by the Company	Effective date
Amendments to IAS 1 to address classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	1 January 2022
Amendments to IAS 16 ‘Property, Plant and Equipment’ regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.	1 January 2022
Amendments to IAS 37 amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	1 January 2022
Amendments to IFRS 3 ‘Business Combinations’ that update an outdated reference in IFRS 3 without significantly changing its requirements	1 January 2022
Annual improvements to IFRS Standards 2018–2020	1 January 2020
Amendments to IFRS 10 ‘Consolidated Financial Statements’ and IAS 28 ‘Investments in Associates and Joint Ventures (2011)’ relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by the management.

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

4 Critical accounting estimates and judgements in applying accounting policies

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the financial statements as at and for the year ended 31 December 2019.

However, the Company has reviewed the key sources of estimation uncertainties disclosed in the recent annual audited financial statements against the backdrop of Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the recent annual audited financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

Impact of COVID-19

In response to the spread of the Covid-19 where the Company operates and its resulting disruptions to the social and economic activities in those markets, the Company management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creating of a business contingency plan, to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its services throughout the market. The business operations of the Company currently remain largely unaffected. Based on these factors, the Company management believes that the Covid-19 pandemic has had no material effects on the reported condensed interim financial statements as at and for the nine months period ended 30 September 2020.

5 Cash and cash equivalents

	(Unaudited)	(Audited)
	30 September	31 December
	2020	2019
	AED	AED
Cash on hand	21,884	33,328
Cash in banks - current accounts	57,445,548	47,641,850
	<u>57,467,432</u>	<u>47,675,178</u>

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

6 Trade and other receivables

	(Unaudited)	(Audited)
	30 September	31 December
	2020	2019
	AED	AED
Net settlement due from Abu Dhabi Security Exchange	1,543,721	1,659,799
Net settlement due from Dubai Financial Market	656,904	-
Trade receivables	16,075	58,870
Net settlement due from Nasdaq Dubai	-	498,577
	<u>2,216,700</u>	<u>2,217,246</u>

The ageing for the trade receivables is as follows:

	(Unaudited)	(Audited)
	30 September	31 December
	2020	2019
1 – 90 days	15,623	58,207
More than 90 days	452	663
Total	<u>16,075</u>	<u>58,870</u>

As at 30 September 2020 and 31 December 2019, management assessed that all its trade and other receivables are not impaired. As such, there was no ECL recognised on the Company's trade and other receivables.

7 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 the client is required to provide additional margin in the form of cash and securities if the value of the portfolio reaches the minimum margin maintenance limit that is set by the Company. In case the client fails to meet the 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 30 September 2020, the carrying amount of the margin loans net of the expected credit loss amounting to AED 70,000 (31 December 2019: AED 70,000) is AED 38,337,385 (31 December 2019: AED 54,778,160).

The fair value of securities held as collateral against the margin trading facilities as at the reporting date amounts to AED 80,914,662 (31 December 2019: AED 109,784,464).

Interest earned from margin loans for the nine months period ended 30 September 2020 amounted to AED 2,792,440 (30 September 2019: AED 106,356).

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

8 Share capital, contribution 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:

<u>Name of shareholders</u>	Percentage of capital	No. of shares	Total capital AED
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.

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.

Legal 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.

SICO Financial Brokerage L.L.C.
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Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

9 Leases

On 1 September 2018, the Company has entered into a leasing agreement with The National Investor PJSC with a lease term of five years. The lease liability is secured by the related underlying asset. Future minimum lease payments at 30 September 2020 are as follows:

	(Unaudited) 30 September 2020	(Audited) 31 December 2019
Within one year	237,895	237,895
One to five years	610,078	866,483
	<u>847,973</u>	<u>1,104,378</u>

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 32,595 for the nine months period ended 30 September 2020 (30 September 2019: AED 35,380).

10 Trade and other payables

	(Unaudited) 30 September 2020 AED	(Audited) 31 December 2019 AED
Trade payables	12,650,167	10,492,274
Net settlement account with Dubai Financial Market	-	4,723,495
Provision for staff bonus	242,043	353,156
Value added tax – net	24,444	38,810
Other payables and accruals	484,932	241,489
	<u>13,401,586</u>	<u>15,849,224</u>

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

11 Related party balances and transactions

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

a) Due to a related party – Parent Company

	(Unaudited)	(Audited)
	30 September	31 December
	2020	2019
	AED	AED
SICO BSC (c) – Operating	<u>39,014,485</u>	<u>43,176,001</u>

b) Transactions with Parent Company

	(Unaudited)	(Unaudited)
	Nine-month	Nine-month
	period ended	period ended
	30 September	30 September
	2020	2019
	AED	AED
Commission income	<u>1,679,724</u>	<u>1,803,901</u>

c) Transactions with key management personnel

	(Unaudited)	(Unaudited)
	Nine-month	Nine-month
	period ended	period ended
	30 September	30 September
	2020	2019
	AED	AED
Short term employee benefits	<u>598,859</u>	<u>574,690</u>
End of service benefits	<u>14,064</u>	<u>13,369</u>

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements (Unaudited)

Notes to the condensed interim financial statements (continued)
For the nine months period ended 30 September 2020

12 General and administrative expenses

	(Unaudited) Nine-month period ended 30 September 2020 AED	(Unaudited) Nine-month period ended 30 September 2019 AED
Salaries and related benefits	2,784,704	2,594,589
Software and licensing	1,073,243	984,877
Professional fees	243,683	36,638
Utilities	153,384	177,947
End of service benefits	99,966	94,833
Insurance	34,906	35,639
Rent expense	-	115,298
Other expenses	259,696	225,589
	<u>4,649,582</u>	<u>4,265,410</u>

13 Contingencies and commitment

The Company has letters of guarantee amounting to AED 35,000,000 (31 December 2019: AED 55,000,000 million) in favor of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) in accordance with the requirements issued by the SCA. In addition, the Company has cash guarantee amounting to AED1,000,000 (31 December 2019: nil) with NASDAQ Dubai Limited.