SICO Financial Brokerage L.L.C.

Condensed Interim Financial Statements
(Unaudited)

For the three-month period ended 31 March 2020

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements

For the three-month period ended 31 March 2020

Table of contents

	Page
Review report of the condensed interim financial information	1
Condensed interim statement of financial position	2
Condensed interim statement of comprehensive income	3
Condensed interim statement of changes in equity	4
Condensed interim statement of cash flows	5
Notes to the condensed interim financial statements	6 - 27

Grant Thornton
An instinct for growth™

Grant Thornton
United Arab Emirates
Al Kamala Tower
Office No. 1101, Level 11
Zayed 1st Street, Khalidiya
P.O. Box 41255
Abu Dhabi

T +971 2 666 9750
F +971 2 666 9816

Review report of the condensed interim financial information 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 31 March 2020 and the related condensed interim statement of comprehensive income, the condensed interim statement of changes in equity and the condensed interim statement of cash flows for the three-month period then ended and the related explanatory notes. Management is responsible for the preparation and fair 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 the condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 ("ISRE 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 information does not present fairly, in all material respects, the financial position of the Company as at 31 March 2020, and its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34 Interim *Financial Reporting*.

Grant Thornton



GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 9 June 2020

© 2018 Grant Thornton UAE - All rights reserved. "Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements

Condensed interim statement of financial position
As at 31 March 2020

	Notes	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Assets			
Current assets			
Cash and cash equivalents	4	**54,131,636**	47,675,178
Trade and other receivables	5	**3,552,904**	2,217,246
Margin loans	6	**55,952,816**	54,778,160
Other current assets	7	**587,766**	609,406
Total current assets		**114,225,122**	105,279,990
Non-current assets			
Intangible assets	8	**43,470**	44,887
Property and equipment	9	**1,692,276**	1,799,144
Total non-current assets		**1,735,746**	1,844,031
Total assets		**115,960,868**	107,124,021
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	10	**50,000,000**	50,000,000
Shareholder's contribution	10	**19,455,664**	19,455,664
Statutory reserves	10	**2,402,562**	2,362,215
Accumulated losses		**(24,908,239)**	(25,271,363)
Total shareholders' equity		**46,949,987**	46,546,516
Liabilities			
Current liabilities			
Lease liability	11	**237,895**	237,895
Trade and other payables	12	**24,255,009**	15,849,224
Due to a related party	13	**43,512,347**	43,176,001
Total current liabilities		**68,005,251**	59,263,120
Non-current liabilities			
Lease liability	11	**543,373**	866,483
Provision for employees' end of service benefits	14	**462,257**	447,902
Total non-current liabilities		**1,005,630**	1,314,385
Total liabilities		**69,010,881**	60,577,505
Total shareholders' equity and liabilities		**115,960,868**	107,124,021

These condensed interim financial statements were approved by the Board of Directors on 09 June 2020 and signed on their behalf by:

Najla Shirawi
Chairman

Anantha Narayanan
Vice Chairman

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements

Condensed interim statement of comprehensive income
For the period ended 31 March 2020

	Notes	**(Unaudited) Three-month period ended 31 March 2020 AED**	(Unaudited) Three-month period ended 31 March 2019 AED
REVENUE			
Brokerage commission revenue		**1,331,060**	859,559
Interest income	6	**1,033,134**	174,511
Other income		**-**	11,717
		2,364,194	1,045,787
EXPENSES			
General and administrative expenses	15	**1,577,750**	1,579,367
Finance costs		**211,537**	192,836
Commission and rebate		**57,059**	187,182
Depreciation and amortisation expense	8, 9	**114,377**	52,146
		1,960,723	2,011,531
Total comprehensive income / (loss) for the period		**403,471**	(965,744)

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.

Condensed interim statement of changes in equity
For the period ended 31 March 2020

	Share capital AED	Shareholders' Contribution AED	Statutory reserve AED	Accumulated losses AED	Total 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	-	-	-	403,471	403,471
Transfer to statutory reserve	-	-	40,347	(40,347)	-
Balance as at 31 March 2020 (Unaudited)	**50,000,000**	**19,455,664**	**2,402,562**	**(24,908,239)**	**46,949,987**
Balance as at 1 January 2019 (Audited)	50,000,000	-	2,362,215	(23,984,684)	28,377,531
Total comprehensive loss for the period	-	-	-	(965,744)	(965,744)
Balance as at 31 March 2019 (Unaudited)	50,000,000	-	2,362,215	(24,950,428)	27,411,787

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements

SICO Financial Brokerage L.L.C.
Condensed Interim Financial Statements

Condensed interim statement of cash flows
For the period ended 31 March 2020

	Notes	(Unaudited) Three-month period ended 31 March 2020 AED	(Unaudited) Three-month period ended 31 March 2019 AED
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) for the period		**403,471**	(965,744)
Adjustments for non-cash items:			
Finance cost		**211,537**	192,836
Depreciation of property and equipment	9	**112,960**	50,729
Provision for employees' end of service benefits	14	**47,064**	46,728
Amortisation of intangible assets	8	**1,417**	1,417
Interest income	6	**(1,033,134)**	(174,511)
Operating loss before changes in working capital		**(256,685)**	(848,545)
Changes in working capital			
Change in trade and other receivables		**(1,335,658)**	(12,638)
Change in margin loans		**(1,174,656)**	7,131
Change in other current assets		**21,640**	(1,683,871)
Change in trade and other payables		**8,405,785**	(9,261,652)
Change in lease liability		**(323,110)**	-
Change in due to related parties		**336,346**	20,168,597
Cash generated from operations		**5,673,662**	8,369,022
Payment for employee' end of service benefits	14	**(32,709)**	-
Interest received on margin loans		**1,033,134**	23,668
Net cash generated from operating activities		**6,674,087**	8,392,690
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on fixed deposits		**-**	150,843
Payments for purchase of property and equipment	9	**(6,092)**	(298,198)
Net cash used in investing activities		**(6,092)**	(147,355)
CASH FLOW FROM FINANCING ACTIVITY			
Finance cost paid		**(211,537)**	(183,991)
Net cash used in financing activity		**(211,537)**	(183,991)
Net increase in cash and cash equivalents		**6,456,458**	8,061,344
Cash and cash equivalents, beginning of period		**47,675,178**	70,492,495
Cash and cash equivalents, end of period	4	**54,131,636**	78,553,839

The accompanying notes from 1 to 24 form an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements For the period ended 31 March 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 three-month period ended 31 March 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, except for the measurement at fair value of certain financial instruments.

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 three-month period ended 31 March 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.

2 General information (continued)

2.3 Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective in 2020

Other pronouncements

Other accounting pronouncements which have become effective from 1 January 2020 and have therefore been adopted do not have a significant impact on the Company's financial results or position.

- Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- Definition of a Business – Amendments to IFRS 3 *Business Combinations*;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments* (Amendments regarding pre-replacement issues in the context of the IBOR reform);
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures.*

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

3 Summary of significant accounting policies

3.1 Accounting convention

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

3.2 Financial instruments

Financial instruments

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

Financial assets

Recognition and measurement

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

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

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

Financial assets (continued)

Recognition and measurement (continued)

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

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

The amortized cost is reduced by impairment losses. Interest income, losses and impairment are recognized in condensed interim statement of comprehensive income. Any gain or loss on derecognition is recognized in condensed interim statement of comprehensive income. Subsequent recoveries of amounts previously written off are recognized in condensed interim statement of comprehensive income.

Impairment of financial assets

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

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

Measurement of ECL

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

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

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

Financial assets (continued)

Recognition and measurement (continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

3 Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

Offsetting financial instruments

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

This is not generally the case with master netting agreement; thus, the related financial assets and financial liabilities are presented on a gross basis in the condensed interim statement of financial position.

3.3 Intangible assets

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

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

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

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

The Company's intangible assets consist of software and programs with estimated useful life of 10 years.

3.4 Property and equipment

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

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

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

3 Summary of significant accounting policies (continued)

3.5 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

3.6 Revenue recognition

Revenue from contracts with customers

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 *Revenue from Contracts with Customers*:

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.6 Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

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

Brokerage commission revenue

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

Interest income

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

Interest income consists of interest income from margin loans.

3 Summary of significant accounting policies (continued)

3.7 Expenses

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

3.8 Employee benefits

Short-term employee benefits

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

Provision for employees' end of service benefits

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

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

3.9 Finance costs

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

3.10 Foreign currency transactions

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

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

3.11 Leases

The Company as a Lessee

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

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

3 Summary of significant accounting policies (continued)

3.11 Leases (continued)

The Company as a Lessee (continued)

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or condensed interim statement of comprehensive income if the right-of-use asset is already reduced to zero.

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

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

3 Summary of significant accounting policies (continued)

3.12 Related parties

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

3.13 Provisions, contingent liabilities and contingent assets

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

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

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

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

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.14 Equity and reserves

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

3.15 Critical accounting estimates and judgements in applying accounting policies

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

Impairment of financial assets

Management has estimated the recoverability of financial assets and has considered the allowance required for impaired financial assets based on prior experience, current economic environment and forecast of future economic conditions in accordance with IFRS 9. Management has estimated for the impairment losses on financial assets based on future cash flows estimated at the end of reporting period. Allowance for expected credit losses on margin loans as at 31 March 2020 is AED 70,000 (31 December 2019: AED 70,000).

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

4 Cash and cash equivalents

	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Cash on hand	**199,293**	33,328
Cash in banks - current accounts	**53,932,343**	47,641,850
	54,131,636	47,675,178

5 Trade and other receivables

	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Trade receivables	**18,010**	58,870
Net settlement due from Abu Dhabi Security Exchange	**3,534,894**	1,659,799
Net settlement due from Nasdaq Dubai	**-**	498,577
	3,552,904	2,217,246

The ageing for the trade receivables is as follows:

	(Unaudited) 31 March 2020	(Audited) 31 December 2019
1 – 90 days	**17,453**	58,207
More than 90 days	**557**	663
Total	**18,010**	58,870

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

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

6 Margin loans

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

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

As at 31 March 2020, the carrying amount of the margin loans net of the expected credit loss amounting to AED 70,000 is AED 55,952,816 (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 106,867,441 (31 December 2019: AED 109,784,464).

Interest earned from margin loans for the three-month period ended 31 March 2020 amounted to AED 1,033,134 (31 March 2019: AED 23,668).

7 Other current assets

	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Prepaid expenses	**362,100**	399,682
Security deposits	**35,900**	35,900
Others	**189,766**	173,824
	587,766	609,406

8 Intangible assets

	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Cost	**883,192**	883,192
Accumulated amortization		
At 1 January (Audited)	**838,305**	832,635
Amortisation for the period/year	**1,417**	5,670
Closing balance	**839,722**	838,305
Carrying amount	**43,470**	44,887

9 Property and equipment

	Furniture and fixtures AED	Computer and equipment AED	Motor vehicles AED	Leasehold improvements AED	Right-of-use asset AED	Total AED
Cost						
At 1 January 2019 (Audited)	994,436	1,477,283	58,000	415,271	-	2,944,990
Additions during the year	377,111	-	-	-	1,350,423	1,727,534
Transfers during the year	415,271	-	-	(415,271)	-	-
At 31 December 2019 (Audited)	1,786,818	1,477,283	58,000	-	1,350,423	4,672,524
Additions during the period	3,664	2,428	-	-	-	6,092
At 31 March 2020 (Unaudited)	**1,790,482**	**1,479,711**	**58,000**	**-**	**1,350,423**	**4,678,616**
Accumulated depreciation						
At 1 January 2019 (Audited)	986,190	1,441,110	58,000	-	-	2,485,300
Charge for the year	121,520	18,983	-	-	247,577	388,080
At 31 December 2019 (Audited)	1,107,710	1,460,093	58,000	-	247,577	2,873,380
Charge for the period	40,692	4,746	-	-	67,522	112,960
At 31 March 2020 (Unaudited)	**1,148,402**	**1,464,839**	**58,000**	**-**	**315,099**	**2,986,340**
Carrying amount						
As at 31 December 2019 (Audited)	679,108	17,190	-	-	1,102,846	1,799,144
As at 31 March 2020 (Unaudited)	**642,080**	**14,872**	**-**	**-**	**1,035,324**	**1,692,276**

10 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:

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

Shareholder's Contribution

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

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

Statutory reserves

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

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

11 Leases

On 1 September 2018, the Company has entered into a leasing agreement with The National Investor PrJSC with a lease term of five years. The lease liability is secured by the related underlying asset. Future minimum lease payments at 31 March 2020 are as follows:

	(Unaudited) 31 March 2020	(Audited) 31 December 2019
Within one year	**237,895**	237,895
One to five years	**543,373**	866,483
	781,268	1,104,378

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

Finance cost incurred from lease liability amounted to AED 11,465 for the three-month period ended 31 March 2020 (31 March 2019: AED 8,845).

12 Trade and other payables

	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Trade payables	**22,674,550**	10,492,274
Net settlement account with Dubai Financial Market	**1,139,519**	4,723,495
Provision for staff bonus	**80,681**	353,156
Value added tax – net	**21,559**	38,810
Other payables and accruals	**338,700**	241,489
	24,255,009	15,849,224

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

13 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) 31 March 2020 AED	(Audited) 31 December 2019 AED
SICO BSC (c) – Operating	**43,512,347**	43,176,001

b) Transactions with Parent Company

	(Unaudited) Three-month period ended 31 March 2020 AED	(Unaudited) Three-month period ended 31 March 2019 AED
Commission income	**704,046**	416,139

c) Transactions with key management personnel

	(Unaudited) Three-month period ended 31 March 2020 AED	(Unaudited) Three-month period ended 31 March 2019 AED
Short term employee benefits	**422,374**	574,690
Post-employment benefits	**12,848**	13,077

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

14 Provision for employees' end of service benefits

	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
Balance at 1 January (Audited)	**447,902**	339,867
Charge during the period / year – Note 15	**47,064**	119,835
Settlement during the period / year	**(32,709)**	(11,800)
Closing balance	**462,257**	447,902

15 General and administrative expenses

	(Unaudited) Three-month period ended 31 March 2020 AED	(Unaudited) Three-month period ended 31 March 2019 AED
Salaries and related benefits	**915,825**	910,829
Software and licensing	**332,499**	336,610
Professional fees	**145,120**	13,058
Other expenses	**71,100**	86,202
Utilities	**52,386**	63,133
End of service benefits - Note 14	**47,064**	46,728
Insurance	**13,756**	14,433
Rent expense	**-**	108,374
	1,577,750	1,579,367

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

16 Risk management

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

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

Credit risk

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

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

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

Interest rate risk

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

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

Foreign currency risk

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

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

16 Risk management (continued)

Operational risk

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

Capital management

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

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

At 31 March 2020, the Company's capital adequacy ratio as per the SCA Circular (12/R) of 2010 is 4.04 (31 December 2019: 4.11).

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

	(Unaudited) 31 March 2020	(Audited) 31 December 2019
Tier 1 Capital	**31,568,481**	31,102,861
Tier 2 Capital	**15,338,036**	15,398,769
Total capital base	**46,906,517**	46,501,630
Capital requirement	**11,617,658**	11,299,123
Capital adequacy ratio	**4.04**	4.11

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

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

16 Risk management (continued)

Liquidity risk

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

The following table shows the maturity dates of the Company's financial assets and liabilities as at 31 March 2020 (Unaudited).

	Less than 1 year AED	More than 1 year AED	Total AED
Financial assets			
Cash and cash equivalents	**54,131,636**	**-**	**54,131,636**
Margin loans	**55,952,816**	**-**	**55,952,816**
Trade and other receivables	**3,552,904**	**-**	**3,552,904**
Other current assets (excluding prepaid expenses)	**225,666**	**-**	**225,666**
	113,863,022	**-**	**113,863,022**
Financial liabilities			
Lease liability	**237,895**	**543,373**	**781,268**
Trade and other payables (excluding VAT)	**24,233,450**	**-**	**24,233,450**
Due to a related party	**43,512,347**	**-**	**43,512,347**
	67,983,692	**543,373**	**68,527,065**

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

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

Notes to the condensed interim financial statements (continued)
For the period ended 31 March 2020

17 Financial assets and liabilities

	Notes	Unaudited 31 March 2020 AED	Audited 31 December 2019 AED
Financial assets			
Cash and cash equivalents	4	**54,131,636**	47,675,178
Trade and other receivables	5	**3,552,904**	2,217,246
Margin loans	6	**55,952,816**	54,778,160
Other current assets (excluding prepaid expenses and VAT)	7	**225,666**	209,724
		113,863,022	104,880,308
Financial liabilities			
Lease liability	11	**781,268**	1,104,378
Trade and other payables (excluding VAT)	12	**24,233,450**	15,810,414
Due to a related party	13	**43,512,347**	43,176,001
		68,527,065	60,090,793

18 Fair value of financial instruments

As at 31 March 2020 and 31 December 2019, the fair value of cash and cash equivalents, trade and other receivables, margin loans, other current asset (excluding prepaid expenses and VAT), trade and other payables and due to related party approximate their carrying amounts due to relatively short-term nature of these instruments.

19 Contingent liabilities

The Company has letters of guarantee in the amount of AED 55,000,000 (31 December 2019: AED 55,000,000 million) in favor of Abu Dhabi Securities Exchange (ADX), Dubai Financial Market (DFM) and Nasdaq Dubai in accordance with the requirements issued by the SCA.

20 Litigation

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

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

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

Notes to the condensed interim financial statements (continued) For the period ended 31 March 2020

20 Litigation (continued)

The first instance court issued its judgment on 30 April 2019 and ruled to oblige the first defendant (same UAE National found guilty in the criminal court) only, to pay an amount of AED 6,927,031 to the plaintiff in addition to the legal interest 5% annually starting from the date of filing this case 06/08/2013.

The Company received a notification from the court which stated that the Plaintiff submitted an appeal before Abu Dhabi courts and requested to schedule a hearing for the civil case in relation to the above claim. The first meeting was held on 20 August 2019. The Company filed a sub-appeal number 398/2019.

As on 16 March 2020, the Court of Appeal issued its judgement and decided to dismiss the Plaintiff's appeal and upheld the first instance judgement. The court also dismissed the Company's appeal due to the dismissal of the Plaintiff's appeal. Accordingly, SICO UAE, SICO BSC and CE are finally cleared by the court. Hence, no provision is recorded in these condensed interim financial statements since payment is not probable.

21 Comparative figures

Certain comparative figures have been reclassified in order to conform to the current presentation and improve the quality of information presented. However, there was no effect on previously reported total assets, total equity, total liabilities as at 31 December 2019 and total comprehensive income for the period ended 31 March 2019.

22 Seasonality of results and significant events affecting the operations

There was an outbreak of a global pandemic (Novel Coronavirus disease), causing significant financial and economic impact on major economies across the globe and affecting multiple industries. The Company is dependent on market conditions, its operating and investment activities, which are of a seasonal nature.

As at the date of approval of these financial statements, management is in the process of continuously assessing the impact of the said event on its subsequent period's financial results. Accordingly, results for the period ended 31 March 2020 are not comparable to those relating to the comparative period and are not indicative of the results that might be expected for the year ending 31 December 2020.

23 General

The figures in the condensed interim financial statement are rounded to the nearest Dirham of United Arab Emirates.

24 Approval of condensed interim financial statements

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on 9 June 2020.