SICO Financial Brokerage L.L.C

CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2023

Principal business address:
P.O. Box 37618
Abu Dhabi
United Arab Emirates

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SICO FINANCIAL BROKERAGE L.L.C

Introduction
We have reviewed the accompanying interim condensed financial statements of SICO Financial Brokerage L.L.C (the "Company") as at 30 June 2023, comprising of the interim statement of financial position as at 30 June 2023, and the related interim statement of comprehensive income for the three and six month periods then ended and its interim condensed statements of changes in equity and cash flows for the six month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review
We conducted our review in accordance with 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.

Other matter
The interim condensed financial statements of the Company for the period ended 30 June 2022 were reviewed by another auditor who expressed an unmodified conclusion on those interim condensed financial statements on 2 August 2022.

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 2 March 2023.

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

Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No 532

11 August 2023
Abu Dhabi

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Notes	*Unaudited 30 June 2023 AED*	*Audited 31 December 2022 AED*
ASSETS			
Non-current assets			
Property and equipment		**484,728**	521,474
Intangible assets		**97,577**	104,891
		582,305	626,365
Current assets			
Margin and trade receivables	5	**4,974,453**	40,332,988
Prepayments, deposits and other assets		**1,731,749**	1,537,194
Due from securities markets		**1,066,917**	1,085,454
Bank balances and cash	6	**68,168,342**	32,225,905
		75,941,461	75,181,541
TOTAL ASSETS		**76,523,766**	75,807,906
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	**50,000,000**	50,000,000
Shareholder's contribution	8	**19,455,664**	19,455,664
Statutory reserve	8	**2,577,354**	2,577,354
Accumulated losses		**(23,363,742)**	(23,110,586)
Total equity		**48,669,276**	48,922,432
Non-current liabilities			
Employees' end of service benefits	9	**1,134,567**	987,278
Current liabilities			
Accounts payable and accruals	10	**17,296,571**	18,869,059
Lease liability		**-**	317,121
Amounts due to a related party	11	**8,843,389**	6,712,016
Due to securities markets		**579,963**	-
		26,719,923	25,898,196
Total liabilities		**27,854,490**	26,885,474
TOTAL EQUITY AND LIABILITIES		**76,523,766**	75,807,906

Chairman

Vice Chairman

The notes number 1 to 12 form an integral part of these condensed interim financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the three month and six month period ended 30 June 2023 (Unaudited)

	Note	*Three month ended 30 June*		*Six month ended 30 June*	
		2023 ***AED***	*2022* *AED*	***2023*** ***AED***	*2022* *AED*
Net commission income		**818,275**	1,189,467	**1,768,124**	2,455,122
Finance income from margin receivables		**586,996**	770,740	**1,510,611**	1,525,690
Finance income (costs), net		**105,616**	(49,654)	**57,842**	(101,136)
Net finance income		**692,612**	721,086	**1,568,453**	1,424,554
General and administrative expenses	4	**(1,655,764)**	(1,571,479)	**(3,359,224)**	(3,081,318)
Depreciation and amortization expense		**(115,466)**	(114,662)	**(230,509)**	(229,242)
(Loss) profit for the period		**(260,343)**	224,412	**(253,156)**	569,116
Other comprehensive income		**-**	-	**-**	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(260,343)**	224,412	**(253,156)**	569,116

The notes number 1 to 12 form an integral part of these condensed interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2023 (Unaudited)

	Share capital *AED*	*Shareholder's contribution* *AED*	*Statutory reserve* *AED*	*Accumulated losses* *AED*	*Total equity* *AED*
Balance at 1 January 2022 *(Audited)*	50,000,000	19,455,664	2,554,900	(23,537,192)	48,473,372
Total comprehensive income for the period	-	-	-	569,116	569,116
Balance at 30 June 2022 *(Unaudited)*	50,000,000	19,455,664	2,554,900	(22,968,076)	49,042,488
Balance at 1 January 2023 *(Audited)*	50,000,000	19,455,664	2,577,354	(23,110,586)	48,922,432
Total comprehensive loss for the period	-	-	-	(253,156)	(253,156)
Balance at 30 June 2023 *(Unaudited)*	**50,000,000**	**19,455,664**	**2,577,354**	**(23,363,742)**	**48,669,276**

The notes number 1 to 12 form an integral part of these condensed interim financial statements.

INTERIM STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2023 (Unaudited)

	Notes	2023 AED	2022 AED
OPERATING ACTIVITIES			
(Loss) profit for the period		**(253,156)**	569,116
Adjustments for:			
Depreciation of property and equipment		**223,195**	222,387
Provision for employees' end of service benefits	9	**144,508**	114,702
Finance income from margin receivables		**(1,510,611)**	(1,525,690)
Finance (income) costs, net		**(57,842)**	101,136
Amortisation of intangible assets		**7,314**	6,855
		(1,446,592)	(511,494)
Changes in:			
Margin and trade receivables		**35,358,535**	(1,610,198)
Prepayments, deposits and other assets		**(194,555)**	(247,209)
Amounts due to a related party		**2,134,154**	(435,858)
Due from securities markets		**18,537**	(148,448)
Due to securities markets		**579,963**	259,037
Accounts payable and accruals		**(1,572,488)**	(7,271,952)
		34,877,554	(9,966,122)
Interest received on margin receivables		**1,510,611**	1,525,690
Employees' end of service benefits paid	9	**-**	(26,772)
Net cash flows from (used in) operating activities		**36,388,165**	(8,467,204)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(186,449)**	(14,246)
Decrease in clients' deposits		**1,340,412**	6,852,258
Purchase of intangible assets		**-**	(7,341)
Net cash flows from investing activities		**1,153,963**	6,830,671
FINANCING ACTIVITIES			
Finance cost paid		**(93,336)**	(91,850)
Finance income received		**151,178**	-
Payment of lease liability		**(317,121)**	(303,550)
Net cash flows used in financing activities		**(259,279)**	(395,400)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**37,282,849**	(2,031,933)
Cash and cash equivalents at the beginning of the period		**15,506,418**	24,844,747
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	**52,789,267**	22,812,814

Non-cash transaction excluded from condensed interim statement of cash flow is as follows:

Provision for employees' end of service benefits transferred from a related party during the period	9	**2,781**	-

The notes number 1 to 12 form an integral part of these condensed interim financial statements.

1 CORPORATE INFORMATION

SICO Financial Brokerage L.L.C. was established on 11 February 2002, as a limited liability company, registered in the Emirate of Abu Dhabi.

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. The Company license number is CN-1043543.

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

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

These condensed interim financial statements were approved and authorised for issue by the Company's Board of Directors on 10 August 2023.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

The interim condensed financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2022. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements. In addition, results for the six months period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

2.2 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are the same as those applied by the Company in its financial statements as at and for the year ended 31 December 2022, except for the adoption of the following new standards effective as of 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

These amendments did not have a material impact on the interim financial statements of the Company.

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICY INFORMATION continued

2.2 New standards, interpretations and amendments adopted by the Company continued

UAE Corporate Tax Law
On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Company will be subject to taxation commencing 1 January 2024. As certain other cabinet decisions are pending as on the date of these interim condensed financial statements, the Company will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published.

2.3 Use of judgements and estimates

In preparing these condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2022.

3 FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is the functional currency of the Company.

4 GENERAL AND ADMINISTRATIVE EXPENSES

	Three month ended 30 June (Unaudited)		*Six month ended 30 June (Unaudited)*	
	2023 ***AED***	*2022 AED*	***2023*** ***AED***	*2022 AED*
Salaries and related benefits	**1,182,776**	1,051,619	**2,287,672**	2,083,315
Software and licensing	**268,642**	265,472	**551,456**	530,899
Utilities	**52,148**	54,412	**105,519**	107,481
Communication expenses	**53,065**	56,473	**105,934**	113,343
Professional fees	**36,419**	15,800	**84,856**	30,933
Insurance	**52,896**	45,324	**102,868**	91,748
Other expenses	**9,818**	82,379	**120,919**	123,599
	1,655,764	1,571,479	**3,359,224**	3,081,318

5 MARGIN AND TRADE RECEIVABLES

	Unaudited 30 June 2023 AED	*Audited 31 December 2022 AED*
Margin and trade receivables	**5,044,453**	40,402,988
Less: provision for expected credit losses	**(70,000)**	(70,000)
	4,974,453	40,332,988

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 a 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. The client's portfolio is used as collateral against the margin facility, and they need to provide additional margin in the form of cash and securities, if the value of their portfolio reaches the minimum margin maintenance limit that is set by the Company. In case the client fails to meet margin requirement due to deterioration in the portfolio, the Company is allowed to liquidate the positions and settle all its outstanding dues from the client.

The fair value of securities held as collateral against the margin trading facilities as at 30 June 2023 amounted to AED 81,621,451 (31 December 2022: AED 101,871,557). As at 30 June 2023, the commitments extended to customers for margin loans has an undrawn limit of AED 2,568,565 (31 December 2022: AED 2,702,181).

6 BANK BALANCES AND CASH

	Unaudited 30 June 2023 AED	*Audited 31 December 2022 AED*
Company's bank accounts for client's deposits*	**15,379,075**	16,719,487
Current account balances with banks	**9,719,453**	15,465,980
Money market deposits	**43,000,000**	-
Cash in hand	**69,814**	40,438
	68,168,342	32,225,905

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

	Unaudited 30 June 2023 AED	*Audited 31 December 2022 AED*
Bank balances and cash	**68,168,342**	32,225,905
Less: Company's bank accounts for clients' deposits*	**(15,379,075)**	(16,719,487)
	52,789,267	15,506,418

*In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA") the Company maintains separate bank accounts for advances received from its customers ("clients' deposits"). The clients' deposits are not available to the Company other than to settle transactions executed on behalf of the customers. Although the use of the clients' deposits by the Company is restricted, they have been presented on balance sheet as notified by ESCA.

7 CONTIGENCIES AND COMMITMENT

The Company has letters of guarantee amounting to AED 35,000,000 (31 December 2022: AED 35,000,000) in favour 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 AED 1,000,000 (31 December 2022: AED 1,000,000) with NASDAQ Dubai Limited.

8 SHARE CAPITAL AND RESERVES

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

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

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

	Percentage of capital	*No. of shares*	*Total capital AED*
Name of shareholders			
SICO B.S.C. (c)	99%	49,500	49,500,000
SICO Ventures Company S.P.C.	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 six-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 2020, 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. (32) of 2021 concerning Commercial Companies and the Company's Articles of Association, 5% 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.

9 EMPLOYEES' END OF SERVICE BENEFITS

	Unaudited 30 June 2023 AED	*Audited 31 December 2022 AED*
Beginning of the period / year	**987,278**	826,326
Charge for the period / year	**144,508**	187,723
Transfer from a related party during period/year	**2,781**	-
Paid during the period / year	**-**	(26,771)
As at the end of the period / year	**1,134,567**	987,278

10 ACCOUNTS PAYABLE AND ACCRUALS

	Unaudited 30 June 2023 AED	*Audited 31 December 2022 AED*
Payable to customers	**15,866,029**	17,804,942
Advance from customers	**443,794**	-
Provision for staff bonus	**372,736**	597,021
Value added tax – net	**35,813**	45,493
Other payables	**578,199**	421,603
	17,296,571	18,869,059

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 International Financial Reporting Standards. Pricing policies and terms of these transactions are approved by the Company's management. The transactions with these related parties are primarily financing in nature as follows:

a) Transaction with Parent Company

	Three month ended 30 June (Unaudited)		*Six month ended 30 June (Unaudited)*	
	2023 AED	*2022 AED*	*2023 AED*	*2022 AED*
Commission income	**180,175**	503,400	**442,689**	1,048,384

b) Key management personnel compensation

	Three month ended 30 June (Unaudited)		*Six month ended 30 June (Unaudited)*	
	2023 AED	*2022 AED*	*2023 AED*	*2022 AED*
Short-term employee benefits	**669,656**	779,776	**1,339,312**	1,429,927
Post-employment benefits	**64,521**	21,491	**86,495**	46,749

c) Due to the Parent Company

	Unaudited 30 June 2023 AED	*Audited 31 December 2022 AED*
SICO BSC (c) - Operating	**8,843,389**	6,712,016

12 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period's classification with no impact on profit or loss or accumulated losses.