BHM CAPITAL FINANCIAL SERVICES PSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Six-months period ended

30 June 2023

BHM CAPITAL FINANCIAL SERVICES PSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the Six-months period ended 30 June 2023

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Shareholders
BHM Capital Financial Services PSC

We have reviewed the accompanying condensed consolidated interim financial information of BHM Capital Financial Services PSC ("the Company") and its subsidiary (collectively referred to as "the Group) as at 30 June 2023, comprising of the condensed consolidated interim statement of financial position as at 30 June 2023 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes, prepared for interim reporting purposes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not give a true and fair view of the financial position of the Group as at 30 June 2023, and of its financial performance and its cash flows for the six-months period then ended in accordance with International Financial Reporting Standards.

RSM Dahman

P.O.Box: 11855, Dubai - U.A.E.
RSM Dahman
Accountants • Auditors • Consultants

Ahmed Mohamed Salem Bamadhaf

Registration No.: 459

Dubai, United Arab Emirates

17 July 2023

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
30 June 2023

	Note	*30 June 2023 AED (Un-audited)*	*31 December 2022 AED (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Goodwill and other intangible assets	4	41,144,061	41,539,061
Property and equipment		8,409,219	9,154,325
Financial assets through other comprehensive income	5	3,776,757	3,806,484
Total non-current assets		53,330,037	54,499,870
CURRENT ASSETS			
Short term deposit under lien		18,101,000	18,101,000
Financial assets through profit and loss	5	10,159,667	11,992,836
Prepayments and other receivables	6	356,860,755	313,411,228
Cash and bank balances	8	393,208,478	359,177,119
Total current assets		778,329,900	702,682,183
Total assets		831,659,937	757,182,053
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	173,431,068	173,431,068
Treasury shares	9(a)	(19,008,286)	(14,650,274)
Legal reserve	9(b)	7,522,557	7,522,557
Fair value through OCI reserve		(5,047,482)	(5,017,755)
Retained earnings		46,740,242	31,928,515
Total equity		203,638,099	193,214,111
NON-CURRENT LIABILITIES			
Bank borrowings (ijarah facility)	10(a)	2,808,778	2,808,778
Employees' end of service benefits	11	3,975,138	3,400,271
Total non-current liabilities		6,783,916	6,209,049
CURRENT LIABILITIES			
Bank borrowings (ijarah facility)	10(a)	358,568	717,136
Short-term loans	10(b)	111,700,000	36,700,000
Trade and other payables	12	509,179,354	520,341,757
Total current liabilities		621,237,922	557,758,893
Total equity and liabilities		831,659,937	757,182,053

Independent auditors' review report on page 1.

Abdel Hadi AL Sadi
CEO

The attached notes 1 to 16 form an integral part of the condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Six Months Ended 30 June 2023

	Note	*Six months ended* 30 June 2023 AED (Un-audited)	*Six months ended* 30 June 2022 AED (Un-audited)	*Three months ended* 30 June 2023 AED (Un-audited)	*Three months ended* 30 June 2022 AED (Un-audited)
INCOME					
Commission and advisory income		33,993,534	23,587,477	21,006,696	12,331,612
Income from margin trading		17,069,263	11,197,664	8,224,026	4,648,248
Finance income		79,459	35,147	38,480	19,875
Other Income		7,754,950	6,579,933	4,180,866	3,507,337
		58,897,206	41,400,221	33,450,068	20,507,072
EXPENSES					
General and administrative expenses	14	(40,630,919)	(31,460,120)	(24,235,919)	(16,929,322)
Allowances for expected credit loss		(2,400)	-	-	-
Financial charges		(3,452,160)	(892,521)	(1,755,544)	(695,739)
		(44,085,479)	(32,352,641)	(25,991,463)	(17,625,061)
PROFIT FOR THE PERIOD		14,811,727	9,047,580	7,452,605	2,882,011
STATEMENT OF COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Other comprehensive loss		(29,727)	-	(138,726)	-
Net other comprehensive loss not to be reclassified subsequently to profit or loss		(29,727)	-	(138,726)	-
Items that will be reclassified subsequently to profit or loss:					
Net other comprehensive income to be reclassified subsequently to profit or loss		-	-	-	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		14,782,000	9,047,580	7,313,879	2,882,011
Basic and diluted earnings per share (AED per share)		0.094	0.05	0.047	0.02

The attached notes 1 to 16 form an integral part of the condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Six Months Ended 30 June 2023

	Share capital AED	*Treasury shares AED*	*Legal reserve AED*	*Fair value through OCI AED*	*Retained earnings AED*	*Total AED*
	Note 9	*Note 9(a)*	*Note 9(b)*			
Balance at 1 January 2022	173,431,068	(2,000,000)	5,540,272	(875,793)	14,087,949	190,183,496
Total comprehensive income for the period						
Profit for the period	-	-	-	-	9,047,580	9,047,580
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	9,047,580	9,047,580
Transactions with owners						
Purchase of treasury shares	-	(5,231,838)	-	-	-	(5,231,838)
Total transactions with owners	-	(5,231,838)	-	-	-	(5,231,838)
Balance at 30 June 2022	173,431,068	(7,231,838)	5,540,272	(875,793)	23,135,529	193,999,238
Balance at 1 January 2023	173,431,068	(14,650,274)	7,522,557	(5,017,755)	31,928,515	193,214,111
Total comprehensive income for the period						
Profit for the period	-	-	-	-	14,811,727	14,811,727
Other comprehensive loss for the period	-	-	-	(29,727)	-	(29,727)
Total comprehensive income for the period	-	-	-	(29,727)	14,811,727	14,782,000
Transactions with owners						
Purchase of treasury shares	-	(4,358,012)	-	-	-	(4,358,012)
Total transactions with owners	-	(4,358,012)	-	-	-	(4,358,012)
Balance at 30 June 2023	173,431,068	(19,008,286)	7,522,557	(5,047,482)	46,740,242	203,638,099

The attached notes 1 to 16 form an integral part of the condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASHFLOWS
Six Months Ended 30 June 2023

	Six months ended	
	30 June 2023	*30 June 2022*
	AED	*AED*
	(Un-audited)	*(Un-audited)*
OPERATING ACTIVITIES		
Profit for the period	14,811,727	9,047,580
Adjustment for:		
Depreciation on property and equipment	1,003,820	977,332
Amortization of intangible assets	395,000	395,000
Unrealized gain on investment	(115,082)	152,602
Interest on bank borrowings	1,726,694	447,184
Interest income on deposits	(79,459)	(35,147)
Foreign exchange (gain)	(2,417,203)	(706,648)
Provision for employees' end of service benefits	673,355	439,067
Operating profit before working capital changes	15,998,852	10,716,970
Change in short term deposit under lien	-	(10,000,000)
Change in prepayments and other receivables	(43,449,527)	(12,221,959)
Change in trade and other payables	(9,923,478)	(23,204,386)
	(37,374,153)	(34,709,375)
Interest received on deposits	79,459	35,147
Payment of gratuity	(98,488)	(38,910)
Cash (used in) from operating activities	(37,393,182)	(34,713,138)
INVESTING ACTIVITIES		
Purchase of furniture and equipment – net	(258,714)	(310,179)
Purchase / Disposal of financial assets through profit and loss	1,948,251	9,849,100
Addition in investment property	-	(232,000)
Cash flow from investing activities	1,689,537	9,306,921
FINANCING ACTIVITIES		
Repayment of bank borrowings	(358,568)	(358,568)
Interest paid on bank borrowings	(1,726,694)	(447,184)
Purchase of treasury shares	(4,358,012)	(5,231,838)
Additions of short-term loans	75,000,000	36,700,000
Cash flow from financing activities	68,556,726	30,662,410
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	32,853,081	5,256,193
Exchange gain	2,417,203	706,648
Net increase / (decrease) in cash and cash equivalents after exchange gain / loss	35,270,284	5,962,841
Cash and cash equivalents at beginning of period	28,539,355	21,824,937
CASH AND CASH EQUIVALENTS AT 30 June	63,809,639	27,787,778

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASHFLOWS *(continued)*
Six Months Ended 30 June 2023

	30 June 2023 AED (Un-audited)	*30 June 2022 AED (Un-audited)*
Represented by:		
Cash and bank balances	393,208,478	371,082,500
Customers' deposits	(329,398,839)	(343,294,722)
Cash and cash equivalents at the end of period	63,809,639	27,787,778

The attached notes 1 to 16 form an integral part of the condensed interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
30 June 2023

1 LEGAL STATUS AND PRICIPAL ACTIVITIES

BHM Capital Financial Services PSC ("the Company"), was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Law No. 2 of 2015. The registered office of the Company is P.O. Box 26730, Dubai, United Arab Emirates. The shareholding of company is as follows:

Shareholders	*30 June 2023*	*31 December 2022*
Jordan Kuwait Bank	76.97%	-
Mr. Khaleefa Butti Omair Yousif Almuhairi	-	76.97%
Others	23.03%	23.03%

On 06 June 2023, shares held by Mr. Khaleefa Butti Omair Yousif Almuhairi were sold to Jordan Kuwait Bank.

The condensed consolidated financial information comprises of the Company and its wholly owned subsidiary, Al Safwa Capital LLC (collectively referred to as “the Group”).

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

The consolidated interim financial information have been approved by Board of Directors on 17 July 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim condensed financial statements for the six months period ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below. However, not all are expected to impact the Group’s as they are either not relevant to the Group’s activities or require accounting which is consistent with the Group’s current accounting policies.

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

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) ; and
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors).

3 FINANCIAL RISK MANAGEMENT

The Group’s financial risk management objectives, policies and procedures are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2022.

4 GOODWILL AND OTHER INTANGIBLE ASSETS

Pursuant to a merger agreement between Al Safwa and MFS and shareholder resolutions of respective entities dated 21 January 2016, Ministerial Resolution number (499)/2016 issued by Ministry of Economy on 19 September 2016, and Emirates Securities and Commodities Authority ("ESCA") approval dated 11 October 2016 approving the merger, the Company commenced operations and traded as a combined entity under the revised name of Al Safwa Mubasher Financial Services with effect from 8 December 2016, on completion of the formalities of the UAE exchanges. As a result of the merger goodwill and client relationship arose, goodwill is tested annually for the impairment and client relationship is being amortised over its useful life.

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

	Goodwill	*Client relationships*	*Total*
As at 1 January 2023	38,379,061	3,160,000	41,539,061
Amortisation for the period	-	(395,000)	(395,000)
As at *30 June 2023* (Un-audited)	38,379,061	2,765,000	41,144,061
As at 31 December 2022 (Audited)	38,379,061	3,160,000	41,539,061

5 FINANCIAL ASSETS

The Group have the following financial assets:

FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023 *AED* *(Un-audited)*	*31 December 2022* *AED* *(Audited)*
Investment in private joint stock company	2,993,946	2,993,946
Investment in quoted shares	782,811	812,538
Total financial assets through other comprehensive income	3,776,757	3,806,484

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

	Listed *AED*	*Unlisted* *AED*	*Total* *AED*
As at 1 January 2022	-	2,993,946	2,993,946
Addition	4,954,500	-	4,954,500
Change in fair value	(4,141,962)	-	(4,141,962)
As at 31 December 2022	812,538	2,993,946	3,806,484
Change in fair value	(29,727)	-	(29,727)
As at 30 June 2023	782,811	2,993,946	3,776,757

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

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

5 FINANCIAL ASSETS *(continued)*

FINANCIAL ASSETS THROUGH PROFIT AND LOSS

Investments in local and foreign quoted shares	*30 June 2023 AED Un-audited)*	*31 December 2022 AED (Audited)*
As at 1 January	11,992,836	11,775,977
(Disposals) / additions during the period / year	(1,948,251)	711,871
Fair value change during the period / year	115,082	(495,012)
As at 30 June / 31 December	10,159,667	11,992,836

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

6 PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 AED (Un-audited)	*31 December 2022 AED (Audited)*
Receivable from customers (note 6.1)	320,018,852	260,308,538
Allowances for expected credit losses (note 6.2)	(4,538,808)	(4,536,408)
	315,480,044	255,772,130
Prepayments	3,529,584	1,359,257
Other receivables:		
Net settlement due from:		
- Dubai Financial Market (DFM)	22,756,928	13,036,944
Deposits	7,327,610	8,429,518
Receivable from broker	3,218,796	3,673,672
Others	4,547,793	31,139,707
Total prepayments and other receivable	356,860,755	313,411,228

6.1 As at 30 June 2023, market value of securities held as collateral amounted to AED 6.8 billion (31 December 2022: AED 2.1 billion) against receivables from customers.

6.2 Movement in allowance for expected credit losses:

	30 June 2023 AED (Un-audited)	*31 December 2022 AED (Audited)*
At 1 January	4,536,408	4,518,708
Addition during the period / year	2,400	17,700
At 30 June / 31 December	4,538,808	4,536,408

7 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Significant transactions with related parties during the period are as follows:

7(a) Transactions during the period

	Six months ended	
	30 June 2023	*30 June 2022*
	AED	*AED*
	(Un-audited)	*(Un-audited)*
Salary and benefits provided to key management personnel	3,270,382	3,261,285

8 CASH AND BANK BALANCES

	30 June 2023	*31 December 2022*
	AED	*AED*
	(Un-audited)	*(Audited)*
Cash and bank		
- Group's deposits	63,809,317	28,539,231
- Petty cash	322	124
- Customers' deposits (note 8.1)	329,398,839	330,637,764
Cash and bank	393,208,478	359,177,119
Customer deposits	(329,398,839)	(330,637,764)
Cash and cash equivalents	63,809,639	28,539,355

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

9 SHARE CAPITAL

	30 June 2023	*31 December 2022*
	Number of shares	*Number of shares*
	(Un-audited)	*(Audited)*
Total paid in capital (AED)	173,431,068	173,431,068

9(a) Treasury shares

The treasury shares represent 17,343,106 shares (31 December 2022: 14,688,143 shares) valued at AED 19,00,286 (31 December 2022: AED 14,627,954) of the Group held by BHM Capital Financial Services PSC ("the Company").

9(b) Legal reserve

In accordance with UAE Federal Law (32) of 2021, a minimum of 10% of the annual profit is to be transferred to this non-distributable statutory reserve. Such transfers may cease when the statutory reserve becomes equal to half of the paid-up share capital. The transfer to statutory reserve is only made at the end of the year.

10 (a) BANK BORROWINGS (IJARAH FACILITY)

	30 June 2023 AED (Un-audited)	*31 December 2022 AED (Audited)*
Bank borrowings	3,167,346	3,525,914
Disclosed under statement of financial position as follows:		
Non-current portion of borrowings	2,808,778	2,808,778
Current portion of borrowings	358,568	717,136
	3,167,346	3,525,914

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

10 (b) SHORT-TERM LOANS

	30 June 2023 AED (Un-audited)	*31 December 2022 AED (Audited)*
Short-term bank borrowings (refer note a)	36,700,000	36,700,000
Bank overdraft (refer note b)	75,000,000	-
Total short-term loans	111,700,000	36,700,000

a. Short term loan amounting AED 36.7 million is interest bearing loan which is re-payable on demand.

b. The Company has obtained a bank overdraft facility of AED 75 million (31 December 2022: AED 45 million). As on the reporting date, the Company has drawn down AED 75 million (31 December 2022: Nil). The loan amount is re-payable within a year.

At the reporting date, the Group has obtained following facilities from bank:

Facility	*Limit (AED)*
Letter of guarantee	50,000,000

11 EMPLOYEES' END OF SERVICE BENEFITS

	30 June 2023 AED (Un-audited)	*31 December 2022 AED (Audited)*
Balance as on 1 January	3,400,271	2,596,698
Charge for the period / year	673,355	977,868
Paid during the period / year	(98,488)	(174,295)
Balance as on 30 June / 31 December	3,975,138	3,400,271

12 TRADE AND OTHER PAYABLES

	30 June 2023 AED (Un-audited)	*31 December 2022 AED (Audited)*
Customers' deposits	329,398,839	330,637,764
Customers' deposits with foreign markets	30,059,547	37,560,507
Net settlement due to		
- Abu Dhabi Securities Exchange (ADX)	2,773,044	40,355,969
- NASDAQ Dubai (NASDAQ)	89,614	1,149
Short term advances	7,757,012	10,507,012
Other payables and accruals	139,101,298	101,279,356
Total trade and other payables	509,179,354	520,341,757

13 CONTINGENT LIABILITIES

	30 June 2023 AED (Un-audited)	*31 December 2022 AED (Audited)*
Abu Dhabi Securities Exchange (ADX)	33,000,000	33,000,000
Dubai Financial Markets (DFM)	17,000,000	17,000,000
NASDAQ Dubai Limited (NASDAQ)	5,527,500	5,527,500
	55,527,500	55,527,500

The guarantees issued are secured by fixed deposits of AED 19,196,900 (31 December 2022: AED 19,196,900).

14 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended		*Three months ended*	
	30 June 2023 AED (Un-audited)	*30 June 2022 AED (Un-audited)*	*30 June 2023 AED (Un-audited)*	*30 June 2022 AED (Un-audited)*
Staff cost	27,069,461	19,270,521	16,426,050	9,029,430
Trading cost	4,237,069	3,991,464	2,614,831	1,905,025
Depreciation	1,003,820	977,332	498,729	491,234
Amortization	395,000	395,000	197,500	197,500
Rent	224,081	220,149	112,041	107,783
Legal and Professional	1,202,753	2,784,888	962,286	2,522,896
Registration and licensing	524,213	410,149	306,903	212,119
Communication	147,092	163,805	64,978	81,905
Other expenses	5,827,430	3,246,812	3,052,601	2,381,430
	40,630,919	31,460,120	24,235,919	16,929,322

15 FAIR VALUE HIERARCHY OF ASSETS MEASURED AT FAIR VALUE

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
30 June 2023 (Un-audited)				
Financial assets – Investment at fair value through P&L	10,159,667	-	-	10,159,667
Financial assets – Investment at fair value through OCI	782,811	-	2,993,946	3,776,757
31 December 2022 (Audited)				
Financial assets – Investment at fair value through P&L	11,992,836	-	-	11,992,836
Financial assets – Investment at fair value through OCI	812,538	-	2,993,946	3,806,484

16 BASIC AND DILUTED EARNINGS PER SHARE

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

	30 June 2023 AED (Un-audited)	*30 June 2022 AED (Un-audited)*
Profit for the period attributable to shareholders of the Group	14,811,727	9,047,580
Weighted average number of shares outstanding during the period	157,851,810	166,101,030
Basic and diluted earnings per share (AED per share)	0.094	0.05