

**BHM CAPITAL FINANCIAL SERVICES PSC**  
**DIRECTORS' REPORT**  
**AND**  
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

31 December 2023

**BHM CAPITAL FINANCIAL SERVICES PSC**  
**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2023

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Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present this report and the audited consolidated financial statements of BHM Capital Financial Services PSC for the year ended 31 December 2023.

The year ended 2023 was very successful as we witnessed a remarkable operational development and financial growth, achieving a profit of AED 31.5 million compared to a profit of AED 15.7 million in 2022. Total income from operating activities has grown by 101% during the year.

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

Signed on behalf of the Board



Abdel Hadi Al Sadi  
CEO

Date: 07 February 2024



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**INDEPENDENT AUDITORS' REPORT**The Shareholders  
BHM Capital Financial Services PSC**Report on the Consolidated Financial Statements**Opinion

We have audited the consolidated financial statements of BHM Capital Financial Services PSC and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key audit matters

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

Valuation of goodwill

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

Contd...

*Independent Auditors' Report (continued)*

*Key audit matters (continued)*

*Valuation of goodwill (continued)*

*Our response*

Our audit procedures included:

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

*Other Information*

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

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

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

*Responsibilities of Management and The Directors for the Consolidated Financial Statements*

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

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

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

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*Independent Auditors' Report (continued)*

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

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

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

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

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

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

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

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*Independent Auditors' Report Continued*

Report on Other Legal and Regulatory Requirements

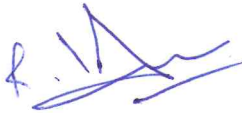
Further, as required by the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law"), we report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law");
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) note 6 to these consolidated financial statements discloses the Group's investments in shares during the year ended 31 December 2023;
- vi) note 8 to the consolidated financial statements discloses material related party transactions and transactions with conflict of interest, and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 ("Commercial Companies Law") or of its Articles and Memorandum of Association which would have a material impact on its activities or its financial position.

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

We further report that, based on the information made available to us, nothing has come to our attention that causes us to believe that the Group has violated any regulations during the year ended 31 December 2023, which may have had a material adverse effect on the business of the Group or its financial position.

RSM Dahman



Rakesh Pardasani  
Partner

Ministry of Economy Registration No: 5517  
Dubai, United Arab Emirates  
07 February 2024



BHM CAPITAL FINANCIAL SERVICES PSC  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 December 2023

	Note	2023 AED	2022 AED
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Goodwill and other intangible assets	3	40,934,650	41,539,061
Property and equipment	4	8,031,528	9,154,325
Right-of-use asset	5(a)	793,115	-
Financial assets through other comprehensive income	6	-	3,806,484
Total non-current assets		49,759,293	54,499,870
<b>CURRENT ASSETS</b>			
Short term deposit under lien		68,101,000	18,101,000
Trade and other receivables	7	750,532,623	313,411,228
Financial assets through profit and loss	6	2,848,738	11,992,836
Cash and bank balances	9	349,365,124	359,177,119
Total current assets		1,170,847,485	702,682,183
Total assets		1,220,606,778	757,182,053
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	10	173,431,068	173,431,068
Treasury shares	10(a)	(12,980,210)	(14,650,274)
Legal reserve	10(b)	11,057,003	7,522,557
Fair value through OCI reserve	6	(8,824,239)	(5,017,755)
Retained earnings		63,738,527	31,928,515
Total equity		226,422,149	193,214,111
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	11	2,091,642	2,808,778
Employees' end of service benefits	12	4,433,875	3,400,271
Lease liability	5(c)	453,062	-
Total non-current liabilities		6,978,579	6,209,049
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	644,580,683	520,341,757
Bank borrowings	11	342,417,136	37,417,136
Lease liability	5(c)	208,231	-
Total current liabilities		987,206,050	557,758,893
Total equity and liabilities		1,220,606,778	757,182,053

Independent auditors' report on page 2 to 5.

  
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 Abdel Hadi AL Sadi  
 CEO

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



**BHM CAPITAL FINANCIAL SERVICES PSC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2023

	Note	2023 AED	2022 AED
<b>INCOME</b>			
Commission and advisory income	15	77,487,532	53,149,573
Income from margin trading		46,283,366	22,043,923
Finance income		274,479	116,782
Other income	16	<u>12,682,022</u>	<u>10,026,106</u>
		<u>136,727,399</u>	<u>85,336,384</u>
<b>EXPENSES</b>			
General and administrative expenses	17	(93,039,113)	(62,590,793)
Reversals/ (obliged ) allowance for receivables	7	1,710,877	(17,700)
Financial charges		<u>(10,054,705)</u>	<u>(2,905,040)</u>
		<u>(101,382,941)</u>	<u>(65,513,533)</u>
<b>PROFIT FOR THE YEAR</b>		<u><u>35,344,458</u></u>	<u><u>19,822,851</u></u>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Other comprehensive (loss)		<u>(3,806,484)</u>	<u>(4,141,962)</u>
Net other comprehensive (loss) not to be reclassified subsequently to profit or loss		<u>(3,806,484)</u>	<u>(4,141,962)</u>
<i>Items that will be reclassified subsequently to profit or loss:</i>			
Net other comprehensive (loss) to be reclassified subsequently to profit or loss		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>31,537,974</u></u>	<u><u>15,680,889</u></u>
<b>Basic and diluted profit/earnings per share (AED per share)</b>		<u>0.221</u>	<u>0.119</u>

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

**BHM CAPITAL FINANCIAL SERVICES PSC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2023

	Share capital AED Note 10	Treasury shares AED Note 10(a)	Legal reserve AED Note 10(b)	Merger reserve AED	Fair value through OCI reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2022	173,431,068	(2,000,000)	5,540,272	-	(875,793)	14,087,949	190,183,496
Purchase of Treasury Shares	-	-	-				
<u>Comprehensive income</u>							
Profit for the year	-	-	-	-	-	19,822,851	19,822,851
<i>Other comprehensive income for the year</i>							
Change in investment at fair value through other comprehensive income	-	-	-	-	(4,141,962)	-	(4,141,962)
Total comprehensive income for the year	-	-	-	-	(4,141,962)	19,822,851	15,680,889
<u>Transactions with owners:</u>							
Acquisition of treasury shares	-	(12,650,274)	-	-	-	-	(12,650,274)
Transfer to legal reserve	-	-	1,982,285	-	-	(1,982,285)	-
Balance at 31 December 2022	173,431,068	(14,650,274)	7,522,557	-	(5,017,755)	31,928,515	193,214,111
<u>Comprehensive income</u>							
Profit for the year	-	-	-	-	-	35,344,458	35,344,458
<i>Other comprehensive income for the year</i>							
Change in investment at fair value through other comprehensive income	-	-	-	-	(3,806,484)	-	(3,806,484)
Total comprehensive profit / (loss) for the period	-	-	-	-	(3,806,484)	35,344,458	31,537,974
<u>Transactions with owners:</u>							
Acquisition of treasury shares	-	(4,358,013)	-	-	-	-	(4,358,013)
Disposal of treasury shares	-	6,028,077	-	-	-	-	6,028,077
Transfer to legal reserve	-	-	3,534,446	-	-	(3,534,446)	-
Balance at 31 December 2023	173,431,068	(12,980,210)	11,057,003	-	(8,824,239)	63,738,527	226,422,149

Balances in (brackets) indicate debit amounts

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year ended 31 December 2023

	2023 AED	2022 AED
<b>OPERATING ACTIVITIES</b>		
Profit for the year	35,344,458	19,822,851
<u>Adjustment for:</u>		
Depreciation and amortisation	2,024,264	1,975,736
Depreciation on right of use asset	22,660	-
Amortization of intangible assets	793,611	790,000
Interest expense on lease liability	12,967	-
Unrealised gain on investments	243,432	495,012
Interest on bank borrowings	9,224,926	1,736,900
Interest income on deposits	(274,479)	(116,782)
Exchange gain or (loss)	(4,282,191)	(1,225,299)
Allowance for expected credit loss	-	17,700
Reversal of provision	(1,710,877)	-
Provision for employees' end of service benefits	1,296,260	977,868
Gain on sale of investment property	-	(80,248)
(Loss) / gain on disposal of property and equipment	-	(58,000)
Operating profit before working capital changes	42,095,031	24,335,738
Change in short term deposit under lien	(50,000,000)	(5,000,000)
Change in trade and other receivables	(435,410,518)	(144,594,628)
Change in trade and other payables	144,082,724	110,439,420
Gross cash flow (used in) / generated from operating activities	(298,632,763)	(14,819,469)
Interest received on deposits	274,479	116,782
Less: employees' end of service benefits paid	(262,656)	(174,295)
Net cash flow (used in) operating activities	(298,620,940)	(14,876,982)
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(901,467)	(473,408)
Purchase of goodwill and other intangible assets	(189,200)	-
Proceeds from the sale of fixed asset	-	102,190
Purchase / (disposals) of financial assets through profit and loss	8,900,666	(711,871)
Payment for investment properties	-	(232,000)
Proceeds from the sale of investment properties	-	5,040,000
(Purchase) of financial assets through OCI	-	(4,954,500)
Net cash flow generated from / (used in) investing activities	7,809,999	(1,229,589)
<b>FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(717,136)	(717,136)
Interest paid on bank borrowings	(9,224,926)	(1,736,900)
Purchase of treasury shares	(4,358,013)	(12,650,274)
Disposal of treasury shares	6,028,077	-
Additions of Bank facility	305,000,000	-
Additions of short-term loan	-	36,700,000
Repayment of lease liability	(167,449)	-
Net cash flow generated from financing activities	(296,560,553)	21,595,690

BHM CAPITAL FINANCIAL SERVICES PSC  
**CONSOLIDATED STATEMENT OF CASH FLOWS** *(continued)*

Year ended 31 December 2023

	2023 AED	2022 AED
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,749,612	5,489,119
Exchange gain	4,282,191	1,225,299
Net Increase in cash and cash equivalents after exchange loss	10,031,803	6,714,418
Cash and cash equivalents at 1 January	28,539,355	21,824,937
<b>CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER</b>	38,571,158	28,539,355
<u>Represented by:</u>		
Cash and bank balances	349,365,124	359,177,119
Customers' deposits	(310,793,966)	(330,637,764)
<b>Cash and cash equivalents at the end of year (Note 9)</b>	38,571,158	28,539,355

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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31 December 2023

## **1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

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

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

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

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

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

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

The consolidated financial statements have been approved by Board of Directors on 05 February 2024.

## **2 SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 BASIS OF PREPARATION**

#### **Statement of compliance**

The consolidated financial statements have been prepared on going concern basis and in accordance with International Financial Reporting Standards (IFRS) as issued and adopted by the International Accounting Standards Board (“IASB”) and the interpretations issued by the International Financial Reporting Interpretation Committee of the IASB enforce at 31 December 2023 and the requirements of the local laws and regulations.

#### **Accounting convention**

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

#### **Functional and presentation currency**

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

#### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and entity controlled by the Company (its subsidiary) as at 31 December 2023. Control is achieved where all the following criteria are met:

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

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31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.1 BASIS OF PREPARATION** *(continued)*

**Basis of consolidation** *(continued)*

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

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

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

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

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

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

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

For the year ended on 31 December 2023, the Company has one subsidiary which was established on 14 July 2009 by subscribing to 10,000,000 shares of AED 1 each representing 100% equity shares in Al Safwa Capital LLC (the "subsidiary") incorporated in the Emirates of Sharjah. The principal activity of the subsidiary is to hold investment properties and investment securities.

**2.2 Changes in accounting policies and disclosures**

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

Standards and amendments that are effective for the first time in 2023 (for an entity with a 31 December 2023 year-end) and could be applicable to the Group are:

- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

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31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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

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

These amendments do not have an impact on these Consolidated Financial Statements and therefore the disclosures have not been made.

**b) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group:**

Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information effective
- IFRS S2 Climate Related Disclosures
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Group and no Interpretations have been issued that are applicable and need to be taken into consideration by the Group at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group consolidated financial statements.

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

**2.3 Summary of significant accounting policies**

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

**Current versus non-current classification**

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

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

All other assets are classified as non-current.

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

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31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.3 Summary of significant accounting policies** *(continued)*

**Current versus non-current classification** *(continued)*

A liability is current when:

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

The Group classifies all other liabilities as non-current

**Property and equipment and depreciation**

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

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

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

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

**Intangible assets**

*Goodwill*

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

*Other intangible assets*

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

*Amortization*

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

Goodwill is not amortized.



BHM CAPITAL FINANCIAL SERVICES PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.3 Summary of significant accounting policies** *(continued)*

**Financial instruments**

**Classification of financial assets**

*Initial recognition*

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

a) *Financial assets measured at amortised cost:*

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

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

For the year ended on 31 December 2023, the Group's financial assets at amortised cost include trade receivables, other receivables, deposits, short term deposit under lien and cash and bank balances.

b) *Financial assets measured at FVOCI:*

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

For the year ended on 31 December 2023, there are no investments carried through FVOCI.

c) *Financial assets measured at FVTPL:*

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

All other financial assets are classified as measured at FVTPL.

For the year ended on 31 December 2023, the Group carries trading investments in quoted shares which are to be classified as measured at FVTPL.

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

---

31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.3 Summary of significant accounting policies** *(continued)*

**Financial instruments** *(continued)*

**Classification of financial assets** *(continued)*

*Business model assessment*

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

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

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

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

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

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

*Reclassification of financial assets:*

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

*Derecognition of financial assets:*

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

**Impairment of financial assets**

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

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

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

---

31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.3 Summary of significant accounting policies** *(continued)*

**Financial instruments** *(continued)*

**Impairment of financial assets** *(continued)*

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

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

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

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

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

*Measurement of ECL*

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

- Cash at bank; and
- Receivables;

No impairment loss is recognised on equity investments.

*Credit-impaired financial assets*

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

*Presentation of allowance for ECL in the statement of financial position*

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

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

---

31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.3 Summary of significant accounting policies** *(continued)*

**Financial liabilities**

*Initial recognition*

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

*Measurement of financial liabilities:*

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

a) *Financial liabilities at FVTPL:*

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

For the year ended on 31 December 2023, the Group has not designated any financial liability as at FVTPL.

b) *Other financial liabilities:*

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

For the year ended on 31 December 2023, the Group's trade and other payables, bank borrowing and short-term loan were designated under this category of financial liability.

*Derecognition of financial liabilities:*

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

*Offsetting of financial instruments:*

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

*Operating segments*

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

---

31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.3 Summary of significant accounting policies** *(continued)*

**Trade and other receivables**

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

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

**Cash and cash equivalents**

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

**Provisions**

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

**Employees' end of service benefits**

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

**Revenue from contracts with customers**

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

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and set out the criteria for every contract that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct; or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation

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

1. The customer simultaneously receives and consumes all of the benefits provided by the Group's performance as the Company performs; or
2. The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

---

31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.3 Summary of significant accounting policies** *(continued)*

**Revenue from contracts with customers** *(continued)*

3. The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

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

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

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

*Commission income*

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

*Interest income*

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

*Consultancy income*

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

*Asset management and liquidity provider fees*

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

**Other income**

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

**Foreign currencies**

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

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

---

31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**2.4 Significant accounting judgements, estimates and assumptions**

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

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

- *Useful lives of property and equipment*

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

- *Useful life of investment property*

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

- *Impairment charge on financial assets:*

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

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

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

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

- *Impairment of Goodwill*

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

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

---

31 December 2023

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

• *Impairment of Goodwill (continued)*

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

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

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

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

• *Lease term*

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

**3 GOODWILL AND OTHER INTANGIBLE ASSETS**

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

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

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



BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

31 December 2023

**3 GOODWILL AND OTHER INTANGIBLE ASSETS (continued)**

	<i>Goodwill AED</i>	<i>Client relationships AED</i>	<i>Software AED</i>	<i>Capital WIP AED</i>	<i>Total AED</i>
<u>Cost:</u>					
As at 1 January 2022	38,379,061	7,900,000	32,715	-	46,311,776
Addition during the year	-	-	-	-	-
As at 31 December 2022	38,379,061	7,900,000	32,715	-	46,311,776
Addition during the year	-	-	65,000	124,200	189,200
As at 31 December 2023	38,379,061	7,900,000	97,715	124,200	46,500,976
<u>Amortization:</u>					
As at 1 January 2022	-	3,950,000	32,715	-	3,982,715
Charge for the year	-	790,000	-	-	790,000
As at 31 December 2022	-	4,740,000	32,715	-	4,772,715
Charge for the year	-	790,000	3,611	-	793,611
As at 31 December 2023	-	5,530,000	36,326	-	5,566,326
<u>Net book amounts:</u>					
As at 31 December 2023	38,379,061	2,370,000	61,389	124,200	40,934,650
As at 31 December 2022	38,379,061	3,160,000	-	-	41,539,061

Goodwill is not impaired during the year and other intangible assets are amortized as disclosed in note 2.3. Capital WIP relates to the new software's which are under development

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

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

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

- 14.3% discount rate;
- Average 12% per annum projected revenue growth rate
- Average 12% per annum increase for 2024, 2025 and 2026 in the operating cost and overhead. Management believes the forecasted revenue growth rate is prudent, in the UAE stock markets over the 3 years.

BHM CAPITAL FINANCIAL SERVICES PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

**4 PROPERTY AND EQUIPMENT**

	<i>Furniture &amp; Fixture AED</i>	<i>Computer equipment AED</i>	<i>Machinery &amp; equipment AED</i>	<i>Office equipment AED</i>	<i>Vehicle AED</i>	<i>Land &amp; Building AED</i>	<i>Total AED</i>
<i>Cost:</i>							
At 1 January 2022	2,583,940	7,883,757	6,114,046	2,377,242	946,034	21,996,021	41,901,040
Additions	34,930	150,667	53,102	234,709	-	-	473,408
Disposal during the year	-	(14,000)	(60,300)	-	(279,406)	-	(353,706)
At 31 December 2022	2,618,870	8,020,424	6,106,848	2,611,951	666,628	21,996,021	42,020,742
Additions	50,501	136,692	117,963	491,522	104,789	-	901,467
Disposal during the year	-	-	-	-	(79,431)	-	(79,431)
At 31 December 2023	2,669,371	8,157,116	6,224,811	3,103,473	691,986	21,996,021	42,842,778
<i>Depreciation:</i>							
At 1 January 2022	2,124,453	7,799,701	4,793,897	1,821,873	393,601	14,288,920	31,222,445
Charge for the year	146,872	65,265	648,115	229,842	128,679	756,963	1,975,736
Disposal during the year	-	(14,000)	(60,300)	-	(257,464)	-	(331,764)
At 31 December 2022	2,271,325	7,850,966	5,381,712	2,051,715	264,816	15,045,883	32,866,417
Charge for the year	131,362	98,970	658,540	261,143	117,286	756,963	2,024,264
Disposal during the year	-	-	-	-	(79,431)	-	(79,431)
At 31 December 2023	2,402,687	7,949,936	6,040,252	2,312,858	302,671	15,802,848	34,811,250
<i>Net book amounts:</i>							
At 31 December 2023	266,684	207,183	184,558	790,614	389,316	6,193,173	8,031,528
At 31 December 2022	347,545	169,458	725,136	560,236	401,812	6,950,138	9,154,325

Building includes the office premises in Dubai which is mortgaged with the facility provided by bank (Note 10).

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

31 December 2023

**5 LEASES**

This note provides information for leases where the Company is a lessee. The Company has only one lease arrangement which is for Abu Dhabi office. Rental contract is for fixed period of three years.

**5(a) RIGHT-OF-USE ASSET**

	2023	2022
	<i>AED</i>	<i>AED</i>
Initial recognition	815,775	-
Accumulated depreciation (Note 5(b))	(22,660)	-
Balance at 31 December	793,115	-

**5(b) ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSET**

	2023	2022
	<i>AED</i>	<i>AED</i>
Balance at 1 January	-	-
Charge for the year	22,660	-
Balance at 31 December	22,660	-

**5(c) LEASE LIABILITY**

	2023	2022
	<i>AED</i>	<i>AED</i>
Initial recognition	815,775	-
Accretion of interest	12,967	-
Repayment of lease liability	(167,449)	-
Balance at 31 December	661,293	-

Disclosed as under:

Non-current liabilities	453,062	-
Current liabilities	208,231	-
	661,293	-

**6 FINANCIAL ASSETS**

The Group have the following financial assets:

**FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME**

	2023	2022
	<i>AED</i>	<i>AED</i>
Investment in private joint stock company	-	2,993,946
Investment in quoted shares	-	812,538
Total financial assets through other comprehensive income	-	3,806,484

BHM CAPITAL FINANCIAL SERVICES PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

**6 FINANCIAL ASSETS (continued)**

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

	<i>Listed</i> AED	<i>Unlisted</i> AED	<i>Total</i> AED
As at 01 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	(812,538)	(2,993,946)	(3,806,484)
As at 31 December 2023	-	-	-

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.

During the year, the Group created the reserves for the net book value as of 31 December 2022 the investment in securities classified as fair value through other comprehensive income (FVTOCI), and was based on purely management discretion.

**FINANCIAL ASSETS THROUGH PROFIT AND LOSS**

	2023 AED	2022 AED
As at 1 January	11,992,836	11,775,977
(Disposals) / additions during the year	(8,900,666)	711,871
Fair value change during the year (unrealised)	(243,432)	(495,012)
As at 31 December	2,848,738	11,992,836

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

**7 TRADE AND OTHER RECEIVABLES**

	2023 AED	2022 AED
Trade receivables (note 7.1)	578,773,945	260,308,538
Allowances for expected credit losses (note 7.2)	(2,361,871)	(4,536,408)
	576,412,074	255,772,130
Prepayments	3,488,243	1,359,257
<u>Other receivables:</u>		
Net settlement due from:		
- DFM	42,689,086	13,036,944
- ADX	77,646,585	-
- NASDAQ	584	-
Deposits	11,651,298	8,429,518
Receivable from broker	-	3,673,672
Others	38,644,753	31,139,707
Total trade and other receivables	750,532,623	313,411,228

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

31 December 2023

**7 TRADE AND OTHER RECEIVABLES** *(continued)*

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

Investors who borrow from the Group will need to provide additional cash or securities if the price of a stock drops against the product's minimum eligibility. In the absence of adequate collateral, the Group is also allowed to liquidate the position. The fair value of securities held as collateral against margin trading receivables as at 31 December 2023 amounts to AED 15 billion (31 December 2022: AED 2.1 billion).

The Company charges interest to Margin Trading clients based on signed agreements. Interest income during the year amounted to AED 46,283,366 (31 December 2022: AED 22,043,923).

**7.2** Movement in allowance for expected credit losses:

	2023 AED	2022 AED
At 1 January	4,536,408	4,518,708
Reversal of provision	(1,710,877)	-
Provision during the year	-	17,700
Written off during the year	(463,660)	-
At 31 December	2,361,871	4,536,408

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

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

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

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

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

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

**8(a) Transactions during the year**

	2023 AED	2022 AED
Salary and benefits provided to key management personnel	9,926,420	5,624,625

BHM CAPITAL FINANCIAL SERVICES PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 December 2023

**9 CASH AND BANK BALANCES**

	2023 <i>AED</i>	2022 <i>AED</i>
Cash and bank		
- Group's deposits	38,570,920	28,539,231
- Petty cash	238	124
- Customers' deposits (note 9.1)	<u>310,793,966</u>	<u>330,637,764</u>
Cash and bank	<u>349,365,124</u>	<u>359,177,119</u>
Customers' deposits	<u>(310,793,966)</u>	<u>(330,637,764)</u>
Cash and cash equivalents	<u>38,571,158</u>	<u>28,539,355</u>

**9.1** In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("SCA"), the Company maintains separate bank accounts for money received from its customers ("client money") and represent the client money as part of financial statements under bank and cash balances amounting to AED 310,793,966 (31 December 2022: AED 330,637,764) with the corresponding liability in amount due to investors. The client money is not available to the Company other than to settle transactions executed in trading accounts of the customers.

**10 SHARE CAPITAL**

	2023 <i>Number of shares</i>	2022 <i>Number of shares</i>
In issue at 1 January	173,431,068	173,431,068
Cancellation of shares	<u>-</u>	<u>-</u>
In issue at 31 December	<u>173,431,068</u>	<u>173,431,068</u>
Total paid in capital (AED)	<u>173,431,068</u>	<u>173,431,068</u>

Capital Adequacy Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policy or processes during the years ending 31 December 2023 and 31 December 2022.

**10(a) Treasury shares**

	2023 <i>No. of shares</i>	2022 <i>No. of shares</i>	2023 <i>AED</i>	2022 <i>AED</i>
Employee Stock Options Program	<u>11,843,106</u>	<u>14,688,143</u>	<u>12,980,210</u>	<u>14,650,274</u>

**10(b) Legal reserve**

In accordance with UAE Federal Law (32) of 2021 ("Commercial Companies Law"), a minimum of 10% of the annual profit is to be transferred to this non-distributable statutory reserve. Such transfers may cease when the statutory reserve becomes equal to half of the paid-up share capital. In the current year, 3,534,446 (2022: AED 1,982,285) has been transferred to legal reserve.

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

31 December 2023

**11 BANK BORROWINGS**

	2023 AED	2022 AED
Ijarah Facility (note a)	2,808,778	3,525,914
Short-term borrowings (note b)	36,700,000	36,700,000
Bank overdraft (note c)	305,000,000	-
	344,508,778	40,225,914

Disclosed under statement of financial position as follows:

Non-current portion of borrowings	2,091,642	2,808,778
Current portion of borrowings	342,417,136	37,417,136
	344,508,778	40,225,914

- a. 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 and is secured by a first-degree registered mortgage over the property.
- b. Short term loan amounting AED 36.7 million is interest bearing loan which is re-payable on demand
- c. The Company has obtained a bank overdraft facility of AED 305 million (31 December 2022: AED 45 million). As on the reporting date, the Company has drawn down AED 305 million (31 December 2022: Nil). The loan amount is re-payable within a year.

At the reporting date, the Group has below letters of guarantee from bank

<i>Facility</i>	<i>Limit (AED)</i>
Letters of guarantee	50,000,000

**12 EMPLOYEES' END OF SERVICE BENEFITS**

	2023 AED	2022 AED
Balance as at 01 January	3,400,271	2,596,698
Charge for the year	1,296,260	977,868
Paid during the year	(262,656)	(174,295)
Balance as at 31 December	4,433,875	3,400,271

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

31 December 2023

**13 TRADE AND OTHER PAYABLES**

	2023 AED	2022 AED
Customers' deposits	310,793,966	330,637,764
Customers' deposits with foreign markets	7,530,218	37,560,507
Customers' Unsettled Balances	164,865,384	7,844,195
Net settlement due to:		
- Dubai Financial Market	-	-
- Abu Dhabi Securities Exchange	-	40,355,969
- Nasdaq Dubai	-	1,149
Short term advances	4,956,329	10,507,012
Other payables and accruals	156,434,786	93,435,161
Total trade and other payables	644,580,683	520,341,757

In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("SCA"), the Company maintains separate bank accounts for money received from its customers ("client money") and represent the client money as part of financial statements under bank and cash balances amounting to AED 310,793,966 (31 31 December 2022: AED 330,637,764) with the corresponding liability in amount due to investors. The client money is not available to the Company other than to settle transactions executed in trading accounts of the customers.

**14 CONTINGENT LIABILITIES**

	2023 AED	2022 AED
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).

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

**15 COMMISSION AND ADVISORY INCOME**

	2023 AED	2022 AED
Commission income net – at point in time	69,276,130	52,199,923
Advisory income	8,211,402	949,650
Total commission and advisory income	77,487,532	53,149,573



BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

31 December 2023

**16 OTHER INCOME**

	2023 AED	2022 AED
Foreign exchange gain	4,282,191	1,225,299
Other miscellaneous income	3,586,117	3,687,902
Gain on sale of investment properties	-	58,000
Gain on financial assets through profit and loss	<u>4,813,714</u>	<u>5,054,905</u>
Total other income	<u>12,682,022</u>	<u>10,026,106</u>

**17 GENERAL AND ADMINISTRATIVE EXPENSES**

	2023 AED	2022 AED
Staff cost	61,401,807	38,906,406
Trading cost	11,560,709	7,699,480
Depreciation on property and equipment	2,024,264	1,975,736
Depreciation on right of use assets	22,660	-
Amortization on intangible assets	793,611	790,000
Short term lease expenses	359,237	444,229
Legal and professional	2,800,098	2,278,860
Registration and licensing	1,080,439	880,052
Communication	263,597	327,840
Other expenses	<u>12,732,691</u>	<u>9,288,190</u>
Total general and administration expenses	<u>93,039,113</u>	<u>62,590,793</u>

**18 BASIC AND DILUTED EARNINGS PER SHARE**

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

	2023 AED	2022 AED
Profit for the year attributable to shareholders of the Group	<u>35,344,458</u>	<u>19,822,851</u>
Weighted average number of shares outstanding during the year	<u>160,096,884</u>	<u>166,084,453</u>
Basic and diluted profit per share (AED per share)	<u>0.221</u>	<u>0.119</u>

**19 FINANCIAL INSTRUMENTS**

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

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

31 December 2023

**19 FINANCIAL INSTRUMENTS** *(continued)*

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

	2023	2022
	AED	AED
<b>FINANCIAL ASSETS</b>		
At amortised cost	1,164,510,504	689,330,090
Financial assets at fair value through profit and loss	2,848,738	11,992,836
Financial assets through other comprehensive income	-	3,806,484
	<u>1,167,359,242</u>	<u>705,129,410</u>
<b>FINANCIAL LIABILITIES</b>		
At fair value through profit and loss		
Measured at amortised cost:		
- Borrowings	344,508,778	40,225,914
- Other financial liabilities	<u>645,241,976</u>	<u>520,341,758</u>
Balance at 31 December	<u>989,750,754</u>	<u>560,567,672</u>

Fair value

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

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

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting year during which the change occurred. The disclosures for fair value hierarchy in respect of Investment at the fair value through OCI are disclosed in note 20.

**20 INFORMATION ON FINANCIAL RISKS**

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

Market risks

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

Equity price risk:

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

BHM CAPITAL FINANCIAL SERVICES PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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31 December 2023

**20 INFORMATION ON FINANCIAL RISKS** *(continued)*

Risk of disputes:

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

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

Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's balances due from stock markets and bank balances.

*Exposure to credit risk*

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

*Due from stock market*

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

*Margin trading receivables*

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

The Group holds the right to liquidate the customer's collateral to cover the margin facility due to the drop in market value of the collateral below the threshold and the same has been agreed with the customer, hence no loss was incurred. The total collateral liquidated by the Company during the year is nil (31 December 2022: nil).

*Cash and bank balances*

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

*Guarantees*

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

*Settlement risk*

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

BHM CAPITAL FINANCIAL SERVICES PSC  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

**20 INFORMATION ON FINANCIAL RISKS (continued)**

Liquidity risk

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

The table below summaries the maturities of the Group undiscounted financial liabilities at 31 December 2023 and 31 December 2022, based on contractual payments.

	<i>Carrying amount AED</i>	<i>Contractual cash flows AED</i>	<i>Up to 3 months AED</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>
<b>2023</b>						
Amounts due to investors	483,189,568	483,189,568	483,189,568	-	-	-
Bank borrowing	2,808,778	3,079,081	211,764	623,179	2,244,138	-
Short-term loan	341,700,000	341,700,000	-	341,700,000	-	-
<b>Total</b>	<u>827,698,346</u>	<u>827,968,649</u>	<u>483,401,332</u>	<u>342,323,179</u>	<u>2,244,138</u>	<u>-</u>
<b>2022</b>						
Amounts due to investors	376,042,466	376,042,466	376,042,466	-	-	-
Bank borrowing	3,525,914	3,947,649	219,793	648,775	3,079,081	-
Short-term loan	36,700,000	36,700,000	-	36,700,000	-	-
<b>Total</b>	<u>416,268,380</u>	<u>416,690,115</u>	<u>376,262,259</u>	<u>37,348,775</u>	<u>3,079,081</u>	<u>-</u>

Interest rate risk

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

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

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

	<i>2023 AED</i>	<i>2022 AED</i>
<b>FINANCIAL ASSETS</b>		
Non-interest bearing	520,484,297	426,719,872
Fixed rate	646,874,945	278,409,538
	<u>1,167,359,242</u>	<u>705,129,410</u>
<b>FINANCIAL LIABILITES</b>		
Non-interest bearing	645,241,976	520,341,757
Floating rate	344,508,778	40,225,914
	<u>989,750,754</u>	<u>560,567,671</u>

The Group is not exposed to any interest risk since its financial assets and liabilities are either interest free or at fixed rate interest. Financial assets at fixed rate include amounts receivables from investors and guarantee deposits. T.

Financial liabilities at fixed rate interest include short-term loan. financial liabilities at floating rate of interest include bank borrowings.

Sensitivity analysis

A hypothetical increase in the interest rate by 100 basis points would increase loss by AED 3,445,088 (2022: AED 402,259).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

31 December 2023

**20 INFORMATION ON FINANCIAL RISKS *(continued)***

Currency risk

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

Financial assets analysed by currency are as follows:

	2023 AED	2022 AED
Saudi Riyal	-	1,425,820
US Dollar	3,577,889	1,468,555
Kuwaiti Dinar	1,618	7,993
Egyptian Pounds	294,560	451,465
Sterling Pound	18,926	69,863
Euro	548,456	-
Hong Kong Dollar	21,755	284
Canadian Dollar	12,927	869
Qatari Riyal	178,492	126,074
Norwegian Krone	-	87,982
Swiss Franc	17,200	-
Singapore Dollar	4,481	-
Japanese Yen	252,455	30,767
United Arab Emirates Dirham	1,162,430,483	701,459,738
Balance as at 31 December	<u>1,167,359,242</u>	<u>705,129,410</u>

Currency risk

Financial liabilities analysed by currency are as follows:

	2023 AED	2022 AED
Saudi Riyal	23,303,639	4,636,854
US Dollar	11,973,862	29,975,720
Kuwaiti Dinar	19,357	7,869
Bahraini Dinar	-	(4)
Egyptian Pounds	335,460	577,017
Omani Riyal	4,519	3,836
Sterling Pound	15,195	67,530
Euro	550,899	596,012
Hong Kong Dollar	380,211	12,865
Australian Dollar	(5)	(507)
Canadian Dollar	14,179	15,837
Qatari Riyal	172,868	123,514
United Arab Emirates Dirham	952,980,570	524,551,128
Balance as at 31 December	<u>989,750,754</u>	<u>560,567,671</u>

BHM CAPITAL FINANCIAL SERVICES PSC  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)*

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**20 INFORMATION ON FINANCIAL RISKS** *(continued)*

Fair value estimation

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

Level 1 – Quoted prices in active markets

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

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

The following table analyses, within the fair value hierarchy, the Group's financial assets measured at fair value at 31 December 2023.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<u>31 December 2023</u>				
Financial assets – Investment at fair value through P&L	2,848,738	-	-	2,848,738
Financial assets – Investment at fair value through OCI	-	-	-	-
<hr/>				
<u>31 December 2022</u>				
Financial assets – Investment at fair value through P&L	11,992,836	-	-	11,992,836
Financial assets – Investment at fair value through OCI	-	-	3,806,484	3,806,484
<hr/>				

**21 SUBSEQUENT EVENTS: PROPOSED DIVIDEND AND BONUS SHARES**

The Board has proposed a dividend of 7.75% of capital, amounting to AED 13,440,907 for the year ended 31 December 2023 as decided in the board meeting held on 5 February 2023. Further, Board has recommended to distribute Bonus shares for shareholders of 28.83% of the capital, amounting to AED 50,000,000. The corresponding liability for both proposed dividends and bonus shares is not recognized in the financial statements.

**22 SIGNIFICANT EVENT**

Corporate Income Tax

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

The Cabinet of Ministers Decision No.116/2022 effective from January 2023, has confirmed the threshold of income over which the 9% tax rate would apply, and the Law is considered to be substantively enacted. A tax rate of 9% will apply to taxable income exceeding AED 375,000, however a rate of 0% could be applied to taxable income not exceeding a particular threshold or to certain types of entities, to be prescribed by way of a Cabinet Decision.

As the Group's accounting year ends on 31 December, accordingly the effective tax period implementation of date for the Group is effective start from 1 January 2024 to 31 December 2024, with the first CT return to be filed on or before 30 September 2025.

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31 December 2023

**22**      **SIGNIFICANT EVENT** *(continued)*

Corporate Income Tax *(continued)*

In accordance with IAS 12 Income Taxes, the related deferred tax accounting impact has been considered for the financial period ended 31 December 2023. The Group has assessed the deferred tax implications for the year ended 31 December 2023 and concluded that it is not considered to be significant for the year ended 31 December 2023, after considering its the interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules). it has been concluded that it is not expected to be material.

The Group shall continue to monitor critical relevant Cabinet Decisions to determine the impact on the Group's financial statements, from deferred tax perspective.