

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
Nine month period ended

30 September 2020



(Previously known as "AL SAFWA MUBASHER FINANCIAL SERVICES PRJSC")

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

Nine-month period ended 30 September 2019

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

The Shareholders
BH Mubasher Financial Services PSC

We have reviewed the accompanying condensed consolidated interim financial information of BH Mubasher Financial Services PSC ("the Company") and its subsidiary (collectively referred to as "the Group) as at 30 September 2020, comprising of the condensed consolidated interim statement of financial position as at 30 September 2020 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the nine month period then ended and explanatory notes, prepared for interim reporting purposes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 September 2020 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

P.O.Box: 11855, Dubai - U.A.E.

RSM Dahman

Accountants - Auditors - Consulta

RSM Dahman

Ahmed Mohamed Salem Bamadhaf

Registration No.: 459

Dubai, United Arab Emirates

21 October 2020

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

30 September 2020

ASSETS NON-CURRENT ASSETS	Note	30 September 2020 AED (Un-audited)	31 December 2019 AED (Audited)
Goodwill and other intangible assets	4	43,328,414	43,935,476
Property and equipment Investment properties	5	11,759,971 5,250,000	12,934,204 5,250,000
Financial assets through other comprehensive income	6	3,753,946	3,753,946
Total non-current assets	_	64,092,331	65,873,626
CURRENT ASSETS			
Short term deposit under lien Prepayments and other receivables Financial assets through profit and loss Cash and bank balances	7 6 9	13,101,000 148,873,191 9,979,345 144,011,191	38,101,000 143,369,969 1,034,613 128,876,650
Total current assets	_	315,964,727	311,382,232
Total assets	=	380,057,058	377,255,858
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital Treasury shares Legal reserve Fair value through OCI reserve Retained earnings / (Accumulated losses) Merger reserve	10 10(a) 10(b)	563,841,748 (2,000,000) 3,664,641 (115,793) 616,854 (390,410,680)	563,841,748 (2,000,000) 3,664,641 (115,793) (2,792,736) (390,410,680)
Total equity		175,596,770	172,187,180
NON-CURRENT LIABILITIES			
Bank borrowings Employees' end of service benefits	11 -	4,422,335 1,637,883	4,960,187 1,410,664
Total non-current liabilities	-	6,060,218	6,370,851
CURRENT LIABILITIES			
Trade and other payables Bank borrowings Short term loan Amount due to related parties	12 11 8(b)	197,682,934 717,136 -	136,742,146 717,136 24,000,000 37,238,545
Total current liabilities	, ,	198,400,070	198,697,827
Total equity and liabilities		380,057,058	377,255,858

Independent auditors' review report on page 1.

Abdel Hadi AL Sadi

CEO

The attached notes 1 to 19 form an integral part of the condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

Nine Months Ended 30 September 2020

		Nine mont	ths ended	Three mon	ths ended
INCOME	Note	30 September 2020 AED (Un-audited)	30 September 2019 AED (Un-audited)	30 September 2020 AED (Un-audited)	30 September 2019 AED (Un-audited)
Commission income Income from margin trading Finance income Advisory Services Other Income		16,188,242 9,079,564 1,204,453 850,000 615,065 27,937,324	7,331,858 6,046,179 241,713 238,095 1,763,334 15,621,179	6,216,158 3,499,721 40,030 200,000 342,834 10,298,743	2,928,110 2,545,209 81,433 238,095 159,377 5,952,224
EXPENSES		21,001,021	10,021,110	10,200,110	0,002,221
General and administrative expenses Financial charges Net realized gain on the investment	15	(24,594,103) (762,771)	(14,895,229) (1,614,484)	(9,023,729) (174,613)	(5,651,992) (243,924)
at the fair value Net unrealized gain / (loss) on the		1,060,060	-	111,529	-
investment at the fair value	6	(230,920)		502,162	
		(24,527,734)	(16,509,713)	(8,584,651)	(5,895,916)
PROFIT / (LOSS) FOR THE PERIOD		3,409,590	(888,534)	1,714,092	56,308
STATEMENT OF COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Other comprehensive income Net other comprehensive income not to be reclassified subsequently to profit or loss		<u>-</u>	-	<u>-</u>	<u>-</u>
Items that will be reclassified subsequently to profit or loss:					
Net other comprehensive (loss) to be reclassified subsequently to profit or loss					
TOTAL COMPREHENSIVE PROFIT / LOSS FOR THE PERIOD		3,409,590	(888,534)	1,714,092	56,308
Basic and diluted earnings / (loss) per share (AED per share)		0.006	(0.00)	0.003	(0.00)

The attached notes 1 to 19 form an integral part of the condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Nine Months Ended 30 September 2020

	Share capital AED	Legal reserve AED	Treasury shares AED	Merger reserve AED	Fair value reserve AED	Retained earnings AED	Total AED
	[Note 10]	[Note 10(b)]	[Note 10(a)]	[Note 10(c)]			
Balance at 1 January 2019	563,841,748	3,631,718	(2,000,000)	(390,410,680)	(115,793)	(3,089,039)	171,857,954
Total comprehensive income for the period (Loss) for the period	-	-	-	-	-	(888,534)	(888,534)
Other comprehensive (loss) for the period Net change in fair value reserve							
Total comprehensive (loss) for the period	-	<u>-</u>			-	(888,534)	(888,534)
						, ,	
Balance at 30 September 2019	563,841,748	3,631,718	(2,000,000)	(390,410,680)	(115,793)	(3,977,573)	170,969,418
Balance at 1 January 2020	563,841,748	3,664,641	(2,000,000)	(390,410,680)	(115,793)	(2,792,736)	172,187,180
Total comprehensive income for the period							
Profit for the period Other comprehensive (loss) for the period	-	-	-	-	-	3,409,590	3,409,590
Net change in fair value reserve	-	-	-	-	-	-	
Total comprehensive (loss) for the period	-		-	-	-	3,409,590	3,409,590
Balance at 30 September 2020	563,841,748	3,664,641	(2,000,000)	(390,410,680)	(115,793)	616,854	175,596,770

The attached notes 1 to 19 form an integral part of the condensed interim financial information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASHFLOWS

Nine Months Ended 30 September 2020

		Nine-month ended 30 September	Nine-month ended 30 September
	Note		2019
		AED (Un-audited)	AED (Un-audited)
OPERATING ACTIVITIES		(= = = = = = ,	(1 1111)
Profit / (loss) for the period Adjustment for:		3,409,590	(888,534)
Depreciation		1,330,820	964,878
Amortization of intangible assets Interest on bank borrowings		613,362 166,860	592,500 1,042,041
Gain on the sale of asset		(11,728)	-
Interest income on deposits		(1,204,453)	(241,713)
Operating profit before working capital changes		4,304,450	1,469,172
Change in short term deposit under lien		25,000,000	-
Change in prepayments and other receivables Change in due from related parties		(5,503,221)	(31,543,800) 42,600,394
Change in due to related parties Change in due to related parties		(37,238,545)	3,910,008
Change in trade and other payables		50,570,599	37,876,387
Change in employee end of service benefits		227,219	(267,320)
Interest resolved on deposits		37,360,502	54,044,841 241,713
Interest received on deposits Cash flow from operating activities		1,204,453 38,564,955	54,286,554
INVESTING ACTIVITIES			
(Purchase) of furniture and equipment		(188,612)	(37,640)
Proceeds from the sale of asset		37,450	3,322
Purchase of financial assets through profit and loss		(8,944,732)	
Cash flow (used in) investing activities		(9,095,894)	(34,318)
FINANCING ACTIVITIES			
Repayment of bank borrowings		(537,852)	(537,851)
Interest on bank borrowing Repayment of short term loan		(166,860) (24,000,000)	(1,042,041)
Cash flow (used in) financing activities		(24,704,712)	(1,579,892)
INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		4,764,349	52,672,344
Cash and cash equivalents at beginning of period		3,975,326	(52,478,468)
CASH AND CASH EQUIVALENTS AT 30 September		8,739,675	193,876
Represented by:			
Cash and bank balances	9	144,011,191	159,708,477
Client deposits	12	(135,271,516)	(159,514,601)
Cash and cash equivalents at the end of period		8,739,675	193,876

The attached notes 1 to 19 form an integral part of the condensed interim financial information

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION 30 September 2020

1 Legal status and principal activities

BH Mubasher Financial Services PSC ("the Company"), was incorporated on 11 March 2006 in accordance with the provisions of UAE Federal Law No. 2 of 2015.

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 Companies Law no. 2 of 2015. The principal activity of the subsidiary is to hold investment properties and investment securities.

On 26 November 2015, Al Safwa was listed on the Dubai Financial Market ("DFM") as a Private Joint Stock Company (PrJSC).

As further explained in note 4, 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. The Company continues to be listed on the DFM as a Private Joint Stock Company.

The condensed consolidated financial information comprise 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 information has been approved by Board of Directors on 21 October 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

This condensed interim financial information for the nine-month period ended 30 September 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

a) New and amended standards adopted by the Group:

The following revised new and amended standards have been adopted in the condensed consolidated interim financial information.

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

There has been no material impact on the condensed consolidated interim financial information of the Group upon adoption of the above new and amended standards.

b) New and amended standards not effective and not yet adopted by the Group

At the date of the condensed consolidated interim financial information, the following other standards, amendments and Interpretations have not been effective and have not been early adopted by the Group:

New and amended standards not effective and not yet adopted by the Group	Effective date
IFRS 17 Insurance contracts	1 January 2021
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2022
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	Optional

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued) 30 September 2020

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards not effective and not yet adopted by the Group (continued)

Management anticipates that the application of the above amendments in future periods will have no material impact on the condensed consolidated interim financial information of the Group in the period of initial application.

3 FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2019.

4 GOODWILL AND OTHER INTANGIBLE ASSETS

Pursuant to a merger agreement between Al Safwa and MFS and shareholder resolutions of respective entities dated 21 January 2016, Ministerial Resolution number (499)/2016 issued by Ministry of Economy on 19 September 2016, and Emirates Securities and Commodities Authority ("ESCA") approval dated 11 October 2016 approving the merger, the Company commenced operations and traded as a combined entity under the revised name of BH 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:

As at 1 January 2020 38,379,061 5,530,000 26,415 43,935,476 Addition during the period - 6,300 6,300 Amortisation for the period - (592,500) (20,862) (613,362) As at 30 September 2020 (Unaudited) 38,379,061 4,937,500 11,853 43,328,414 As at 31 December 2019 (Audited) 38,379,061 5,530,000 26,415 43,935,476 INVESTMENT PROPERTIES Property under construction AED AED As at 1 January 2019 Development expenditure 5,250,000 5,250,000 Development expenditure 5,250,000 5,250,000 Development expenditure		Goodwill AED	Client relationships AED	Software AED	Total AED
Addition during the period		ALD	ALD	ALD	ALD
Amortisation for the period - (592,500) (20,862) (613,362) As at 30 September 2020 (Unaudited) 38,379,061 4,937,500 11,853 43,328,414 As at 31 December 2019 (Audited) 38,379,061 5,530,000 26,415 43,935,476 5 INVESTMENT PROPERTIES Property under construction AED AED As at 1 January 2019 Development expenditure 5,250,000 5,250,000 Development expenditure 5,250,000 5,250,000 Development expenditure	As at 1 January 2020	38,379,061	5,530,000	26,415	43,935,476
As at 30 September 2020 (Unaudited) 38,379,061 4,937,500 11,853 43,328,414 As at 31 December 2019 (Audited) 38,379,061 5,530,000 26,415 43,935,476 5 INVESTMENT PROPERTIES Property under construction AED AED AED As at 1 January 2019 5,250,000 5,250,000 Development expenditure	ų ,	-	-	,	•
audited) 38,379,061 4,937,500 11,853 43,328,414 As at 31 December 2019 (Audited) 38,379,061 5,530,000 26,415 43,935,476 5 INVESTMENT PROPERTIES Property under construction AED AED AED AED As at 1 January 2019 5,250,000 5,250,000 Development expenditure - - As at 31 December 2019 (Audited) 5,250,000 5,250,000 Development expenditure - -	Amortisation for the period	<u> </u>	(592,500)	(20,862)	(613,362)
audited) 38,379,061 4,937,500 11,853 43,328,414 As at 31 December 2019 (Audited) 38,379,061 5,530,000 26,415 43,935,476 5 INVESTMENT PROPERTIES Property under construction AED AED AED AED As at 1 January 2019 5,250,000 5,250,000 Development expenditure - - As at 31 December 2019 (Audited) 5,250,000 5,250,000 Development expenditure - -	As at 30 September 2020 (Un-				
5 INVESTMENT PROPERTIES Property under construction AED Total AED As at 1 January 2019 5,250,000 Development expenditure - As at 31 December 2019 (Audited) 5,250,000 Development expenditure - - - - - - -		38,379,061	4,937,500	11,853	43,328,414
5 INVESTMENT PROPERTIES Property under construction AED Total AED As at 1 January 2019 5,250,000 Development expenditure - As at 31 December 2019 (Audited) 5,250,000 Development expenditure - - - - - - -					
Property under construction AED Total AED As at 1 January 2019 5,250,000 Development expenditure - - As at 31 December 2019 (Audited) 5,250,000 5,250,000 Development expenditure - - -	As at 31 December 2019 (Audited)	38,379,061	5,530,000	26,415	43,935,476
As at 1 January 2019 5,250,000 5,250,000 Development expenditure - - As at 31 December 2019 (Audited) 5,250,000 5,250,000 Development expenditure - - -	5 INVESTMENT PROPERTIES				
As at 1 January 2019 5,250,000 5,250,000 Development expenditure - - As at 31 December 2019 (Audited) 5,250,000 5,250,000 Development expenditure - - -				Property under	
As at 1 January 2019 5,250,000 Development expenditure - As at 31 December 2019 (Audited) 5,250,000 Development expenditure - - - - -					Total
Development expenditure				AED	AED
As at 31 December 2019 (Audited) 5,250,000 5,250,000 Development expenditure	As at 1 January 2019			5,250,000	5,250,000
Development expenditure	Development expenditure				
· · · · · — — — — — — — — — — — — — — —	As at 31 December 2019 (Audited)			5,250,000	5,250,000
As at 30 September 2020 (Unaudited) 5.250.000 5.250.000	Development expenditure				
	As at 30 September 2020 (Unaudited)			5,250,000	5,250,000

The investment property was under construction during the year that is why the Group did not yet started the depreciation on investments properties.

The fair value of Group's investment properties as at 30 September 2020 is AED 5.2million (31 December 2019: 5.2m based on unobservable market inputs (i.e. level 3).

The above investment property is on the name of ex vice chairman, Sheikh Mohammed Bin Ali Bin Rashid Al Nuaimi. He has confirmed that Group is the beneficial owner of this property.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued) 30 September 2020

6 FINANCIAL ASSETS

The Group have the following financial assets:

EINIANICIAI	ASSETS THROUGH OTHER CO	OMPREHENSIVE INCOME
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	30 September 2020	31 December 2019
	AED	AED
	(Un-audited)	(Audited)
	AED	AED
Investment in National Mass Holding Company	3,753,946	3,753,946

This investment represents 2.5% of interest held in National Mass Holding Company ("NMHC"), 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 (refer note 4).

FINANCIAL ASSETS THROUGH PROFIT AND LOSS

Investments in local and foreign quoted shares	30 September 2020 AED (Un-audited) AED	31 December 2019 AED (Audited) AED
As at 1 January Additions during the year Fair value change during the period / year	1,034,613 9,175,652	1,012,627
(unrealized)	(230,920)	21,986
As at 30 September / 31 December 2019	9,979,345	1,034,613

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

7 PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2020	31 December 2019
	AED (Un-audited)	AED (Audited)
Receivable from customers (note 7.1)	135,580,424	136,060,834
Allowances for expected credit losses (note 7.2)	(48,003)	(48,003)
	135,532,421	136,012,831
Prepayments	1,393,322	666,914
Advances	-	336,770
Other receivables:		
- Net settlement due from:		
- NASDAQ	62,080	-
Deposits	1,873,422	1,936,404
Receivable from broker	6,535,223	3,599,847
Others	3,476,723	817,203
	148,873,191	143,369,969

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued) 30 September 2020

7 PREPAYMENTS AND OTHER RECEIVABLES (continued)

- 7.1 As at 30 September 2020, market value of securities held as collateral amounted to AED 3.6 billion (31 December 2019: AED 2 billion) against receivables from customers.
- **7.2** Movement in allowance for expected credit losses:

	30 September 2020	31 December 2019
	AED	AED
	(Un-audited)	(Audited)
At 1 January	48,003	1,071,885
Reversal of provision	-	(1,365)
Write-off		(1,022,517)
At 30 September/ 31 December	48,003	48,003

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 30 September and the significant transactions with related parties during the period are as follows:

8(a) Transactions during the period

	Nine months ended	
	30 September 2020	30 September 2019
	AED	AED
	(Un-audited)	(Un-audited)
Expenses incurred by related parties on behalf of the Group and		
recharged to the Group	-	137,052
Expenses incurred by the Group on behalf of related parties recharged		22.222
to related parties	-	66,363
Salary and benefits provided to key management personnel	-	1,205,000
Commission income earned from related parties	-	852,011
Commission received from Board member	-	52,030
Service level agreement and assets transferred from Brokerage House		4 207 440
Securities	-	1,387,442
8(b) Balances with related parties as at 30 September 2020 are as follows:	ows:	
30	0 September 2020	31 December 2019
	AED	AED
Amounts due to related parties:	(Un-audited)	(Audited)
Due to entities jointly control by common management	<u>-</u> _	37,238,545

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued) 30 September 2020

9 CASH AND BANK BALANCES

	30 September 2020	31 December 2019
	AED	AED
	(Un-audited)	(Audited)
Cash and bank		
- Group's overdraft / deposits	8,737,633	3,974,320
- Cash in hand	2,042	1,006
- Customers' deposits (note 9.1)	135,271,516	124,901,324
Cash and bank	144,011,191	128,876,650
Customer deposits	(135,271,516)	(124,901,324)
Cash and cash equivalents	8,739,675	3,975,326

^{9.1} In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA"), the Group maintains separate bank accounts for amounts received from its customers ("customer deposits") which are not available to the Group other than to settle transactions executed on behalf of such customers.

10 SHARE CAPITAL

	30 September 2020 Number of shares (Un-audited)	31 December 2019 Number of shares (Audited)
In issue at 1 January	563,841,748	563,841,748
In issue at 30 September / 31 December	563,841,748	563,841,748
Total paid in capital (AED)	563,841,748	563,841,748

10(a) Treasury shares

The treasury shares represent 2,000,000 shares of the Group held by Al Safwa Capital LLC, which is a 100% subsidiary of the Company.

10(b) Legal reserve

The legal reserve of the current and comparative year is those of Safwa, which is the legal acquirer. In accordance with UAE Federal Law (2) of 2015, 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.

10(c) Merger reserve

The amount recognised as issued equity instruments in the condensed consolidated financial statements are determined by adding the issued equity of the legal acquiree (Mubasher Financial Services) outstanding immediately before the business combination to the fair value of the legal acquirer (Al Safwa Islamic Financial Services). However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of Al Safwa Islamic Financial Services, including the ordinary shares issued by Al Safwa Islamic Financial Services to effect the merger. The difference between the share capital and statutory reserve of Al Safwa Islamic Financial Services and the equity value of the Group as per IFRS 3 was transferred to a merger reserve.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued) 30 September 2020

10(c) Merger reserve (continued)

The calculation for balances outstanding on the merger reserve as at 30 September 2020 and 31 December 2019 is shown in the table below.

	30 September 2020 (Un-audited) AED	31 December 2019 (Audited) AED
Share capital of MFS transferred to merger reserve Less: share capital of Safwa outstanding Add: statutory reserve of MFS Less: statutory reserve of Safwa Add: Purchase consideration in business combination Add: treasury shares of Safwa	31,000,000 (563,841,748) 14,221,038 (3,631,718) 129,841,748 2,000,000	31,000,000 (563,841,748) 14,221,038 (3,631,718) 129,841,748 2,000,000
Total	(390,410,680)	(390,410,680)
11 BANK BORROWINGS		
	30 September 2020 (Un-audited) AED	31 December 2019 (Audited) AED
Bank borrowings (note 11.1)	5,139,471	5,677,323
Disclosed under statement of financial position as follows:		
Non-current portion of bank borrowings Current portion of bank borrowings	4,422,335 717,136	4,960,187 717,136
	5,139,471	5,677,323

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

12 TRADE AND OTHER PAYABLES

	30 September 2020 AED (Un-audited)	31 December 2019 AED (Audited)
Customers' Deposits	135,271,516	130,158,679
Customers' Deposits with foreign markets	13,321,848	-
Customers' Unsettled Balances	1,868,684	-
Net settlement due to:		
- Dubai Financial Market	4,384,240	1,842,707
- Abu Dhabi Securities Exchange	4,164,541	2,339,328
- Nasdaq Dubai	47,279	335,763
- Other foreign markets	-	2,422
Short term advances	35,049,222	-
Other payables and accruals	3,575,604	2,063,247
Total trade and other payables	197,682,934	136,742,146

Trade payables mainly represent deposits from customers for the purpose of trading by the Group on their behalf.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued) 30 September 2020

13 CONTINGENT LIABILITIES

	30 September 2020	31 December 2019
	AED	AED
	(Un-audited)	(Audited)
Abu Dhabi Securities Exchange (ADX)	23,000,000	30,000,000
Dubai Financial Markets (DFM)	11,000,000	30,000,000
NASDAQ Dubai Limited (NASDAQ)	5,527,500	5,527,500
Securities and Commodities Authority (SCA)	1,000,000	<u>-</u>
	40,527,500	65,527,500

The guarantees issued are secured by fixed deposits of AED 13,101,000 (31 December 2019: AED 13,101,000).

14 COMMITMENTS

	30 September 2020	31 December 2019
	AED	AED
	(Un-audited)	(Audited)
Development expenditure on investment property		
	281,507	281,507

The Group has a commitment of development expenditure on investment properties amounting to AED 281,507 (31 December 2019: AED 281,507). The Group has signed an agreement with a contractor on 2 February 2014 to construct six sheds on land which is classified as investment property in the Group's condensed consolidated interim financial information. The total value of the contract is AED 2.6 million and as at the reporting date the Group has paid AED 2.38 million as per the agreement.

15 GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended		Three mon	Three months ended	
	30 September	30 September	30 September	30 September	
	2020	2019	2020	2019	
	AED	AED	AED	AED	
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)	
Staff cost	15,651,644	7,690,982	5,687,024	3,344,837	
Trading cost	3,591,558	2,845,816	1,283,618	695,576	
Depreciation	1,330,820	964,878	442,906	320,705	
Amortization	613,362	592,500	205,154	197,500	
Rent	378,460	234,056	119,590	75,572	
Legal and Professional	590,780	359,861	414,630	169,025	
Registration and licensing	597,041	899,891	185,143	278,744	
Communication	435,779	343,320	115,024	99,993	
Other expenses	1,404,659	963,925	570,640	470,040	
	24,594,103	14,895,229	9,023,729	5,651,992	

Number of employees as at 30 September 2020 are 71 (30 September 2019: 35). The increase in number of employees is due to closure of BHS. Accordingly, all employees and business transferred to BHM.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued) 30 September 2020

16 FAIR VALUE HIERARCHY OF ASSETS MEASURED AT FAIR VALUE

	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
30 September 2020 (Un-audited)				
Financial assets – Investment at fair value through P&L	9,979,345	-	-	9,979,345
Financial assets – Investment at fair value through OCI	-	-	3,753,946	3,753,946
31 December 2019 (Audited)				
Financial assets – Investment at fair value through P&L	1,034,613	-	-	1,034,613
Financial assets – Investment at fair value through OCI	-	-	3,753,946	3,753,946

There is no movement in Investment at fair value through OCI and hence, a level 3 reconciliation is not presented.

17 BASIS AND DILUTED EARNINGS PER SHARE

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

	30 September	30 September
	2020	2019
	AED	AED
	(Un-audited)	(Un-audited)
Profit / (loss) for the period attributable to shareholders of the Group	3,409,590	(888,534)
Weighted average number of shares outstanding during the period	563,841,748	563,841,748
Basic and diluted earning/(loss) per share (AED per share)	0.006	(0.00)

18 COMPARATIVES

Certain comparative figures have been reclassified, wherever necessary, to conform to the presentation adopted in these condensed interim financial statements.

19 EVENTS AFTER THE REPORTING PERIOD

During the period, on 30 September 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. In addition, oil prices significantly dropped during January to March 2020 due to the effect of COVID-19 and a number of other political and economic factors. These factors have negatively affected the economies and the businesses of the regions where the Company operates. To alleviate the negative impact of the COVID-19 pandemic, the various governments including the UAE Government, other independent jurisdictions and regulators have taken measures and issued directives to support businesses at large, including extensions of deadlines, facilitating continued business through social-distancing and easing pressure on credit and liquidity.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve.

The management is actively monitoring the situation and continues to take reasonable measures to safeguard the interests of all stakeholders. The Company has considered the possible impacts and its responses in the financial reporting. The Company has reviewed its exposure to Covid-19 related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the Company as at 30 September 2020. The Company is also currently confident of surviving this phase and accordingly these financial statements have been prepared on a going concern basis.