ADCB SECURITIES L.L.C.

Reports and financial statements
for the year ended December 31, 2017

ADCB Securities L.L.C.

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Directors' report

On behalf of the Board of Directors, I am pleased to present the audited financial statements of ADCB Securities L.L.C. (the "Company") for the year ended December 31, 2017.

Principal activities and nature of business

The principal activities of the Company include providing brokerage services pertaining to financial instruments and commodities, margin trading activity, financial consultation and financial analysis.

Financial results

2017 was a challenging year with the combined turnover of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) declining from AED 375bn in 2016 to AED 335bn (decrease by 10.7%). We took several measures to counter the environment and succeeded in increasing the market share from AED 13.9bn (3.7%) to AED 18.9bn in 2017 (5.5%). Consequently, the Company reported brokerage commission income for the year 2017 amounting to AED 15,898 thousand (2016: AED 13,607 thousand) reflecting a growth of 17% over 2016.

Lending against margin trading increased further from AED 311,482 thousand at 31 December 2016 to AED 495,964 thousand at 31 December 2017 reflecting an increase of 59%. The average balances for margin lending went up from AED 207,000 thousand in 2016 to AED 510,000 thousand in 2017 reflecting an increase of 146%. As a result net interest income increased from AED 5,646 thousand in 2016 to AED 14,505 thousand in 2017 reflecting an increase of 157%.

Total income increased 58% from AED 19,274 thousand in 2016 to AED 30,403 thousand in 2017.

Total expenses of AED 17,608 thousand for 2017 reflect an increase of 5% over AED 16,833 thousand in 2016.

Net profit for the year was at AED 12,795 thousand as compared to AED 2,441 thousand in 2016 reflecting an increase of 424% over 2016. This increase in net profit can largely be attributed to increase in margin lending volumes.

Total equity at the end of 2017 was AED 143,224 thousand (2016: AED 130,483 thousand).

Directors

The directors who served during the year are:

Mr. Ala'a Mohamed Atta Khalil Eraiqat	Chairman
Mr. Kevin Taylor *	Vice Chairman
Mr. Hassan Salem Saeed Abdulla Al Hossani *	Director
Mr. Ali Ahmed Ghulam Darwish Al Baloushi	Director
Mr. Al Sadig Muatasam Abdul Rahman Al Magboul	Director
Mr. Nabil F. A. Juma	Director

*served for part of the year

Auditors

Deloitte & Touche (M.E.) were external auditors of the Company for the year ended December 31, 2017 and the directors propose their re-appointment for the year ending December 31, 2018.

On behalf of the Board of Directors

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Ala'a Eraiqat
Chairman

Abu Dhabi
March 6, 2018

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
ADCB Securities L.L.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ADCB Securities LLC, Abu Dhabi (the "Company") which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors and management are responsible for the other information. The other information comprises the Directors report, which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the 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 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 that we obtained prior to the date of this auditor's report, 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and 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 financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements or, if such disclosure 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

We also provide those charged with governance 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.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. (2) of 2015, we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company;
- the Company has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Company's books of account;
- the Company has not purchased or invested in shares during the financial year ended 31 December 2017;
- note 17 to the financial statements of the Company discloses material related party transactions and the terms under which they were conducted; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017.

Deloitte & Touche (M.E.)

Signed by:
Mohammad Khamees Al Tah
Registration No. 717
6 March 2018
Abu Dhabi
United Arab Emirates

ADCB Securities L.L.C.

Statement of financial position
As at December 31, 2017

	Notes	2017 AED'000	2016 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	**1,280**	1,105
Available-for-sale financial assets	6	**467**	521
Total non-current assets		**1,747**	1,626
Current assets			
Trade and other receivables	7	**124,027**	93,615
Margin trade receivables	8	**495,964**	311,482
Bank balances	9	**17,727**	142,307
Total current assets		**637,718**	547,404
Total assets		**639,465**	549,030
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**71,000**	71,000
Legal reserve	11	**10,370**	9,090
Investment revaluation reserve		**38**	92
Retained earnings		**61,816**	50,301
Total equity		**143,224**	130,483
Liabilities			
Non-current liabilities			
Long term borrowing	12	**100,000**	100,000
Provision for employees' end of service benefit	13	**3,152**	2,392
Total non-current liabilities		**103,152**	102,392
Current liabilities			
Trade and other payables	14	**125,208**	91,648
Due to the Parent Company	17	**11,118**	36,416
Bank overdraft	9	**256,763**	188,091
Total current liabilities		**393,089**	316,155
Total liabilities		**496,241**	418,547
Total equity and liabilities		**639,465**	549,030

Ala'a Eraiqat	**Hassan Salem Al Hossani**	**Deepak Khullar**
Chairman	**General Manager**	**Group Chief Financial Officer**

The accompanying notes are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
for the year ended December 31, 2017

	Notes	2017 AED'000	2016 AED'000
Income			
Brokerage commission		**15,898**	13,607
Interest income	15	**23,824**	10,628
Interest expense	16	**(9,319)**	(4,982)
Net interest income		**14,505**	5,646
Other income		**-**	21
		30,403	19,274
Expenses			
Staff expenses		**(13,384)**	(11,905)
Depreciation	5	**(808)**	(1,052)
Other operating expenses		**(3,416)**	(3,876)
		(17,608)	(16,833)
Net profit for the year		**12,795**	2,441
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss			
Fair value changes on available-for-sale financial assets	6	**(54)**	8
Total comprehensive income for the year		**12,741**	2,449

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity
for the year ended December 31, 2017

	Notes	Share capital AED'000	Legal reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at January 1, 2016		71,000	8,845	84	48,105	128,034
Net profit for the year		-	-	-	2,441	2,441
Fair value changes on available for sale financial assets	6	-	-	8	-	8
Total comprehensive income for the year		-	-	8	2,441	2,449
Transfer to legal reserve		-	245	-	(245)	-
Balance at January 1, 2017		71,000	9,090	92	50,301	130,483
Net profit for the year		-	-	-	12,795	12,795
Fair value changes on available for sale financial assets	6	-	-	(54)	-	(54)
Total comprehensive income for the year		-	-	(54)	12,795	12,741
Transfer to legal reserve		-	1,280	-	(1,280)	-
Balance at December 31, 2017		71,000	10,370	38	61,816	143,224

The accompanying notes are an integral part of these financial statements.

Statement of cash flows
for the year ended December 31, 2017

	2017 AED'000	2016 AED'000
Operating activities		
Net profit for the year	**12,795**	2,441
Adjustment for:		
Depreciation on property and equipment	**808**	1,052
Employees' end of service benefit charge	**445**	306
Operating cash flows before changes in operating assets and liabilities	**14,048**	3,799
Increase in trade and other receivables	**(30,412)**	(35,677)
Increase in margin trade receivables	**(184,482)**	(237,474)
Net movement in due to the Parent Company	**(24,983)**	35,495
Increase in trade and other payables	**33,560**	36,067
Settlement of employees' end of service benefit	-	(375)
Net cash used in operating activities	**(192,269)**	(198,165)
Investing activities		
Purchase of property and equipment	**(983)**	(543)
Net movement in term deposits	**100,000**	(50,000)
Net cash generated from/(used in) investing activities	**99,017**	(50,543)
Net decrease in cash and cash equivalents	**(93,252)**	(248,708)
Cash and cash equivalents at beginning of the year	**(145,784)**	102,924
Cash and cash equivalents at end of the year (note 9)	**(239,036)**	(145,784)
Non cash transactions		
Transfer of employees' end of service benefit	**315**	-

The accompanying notes are an integral part of these financial statements.

1 Activities and area of operations

ADCB Securities L.L.C. (the "Company") is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates (U.A.E.). The Company was established on February 7, 2005 and commenced its operations on May 14, 2005 and is a wholly owned subsidiary of Abu Dhabi Commercial Bank (the "Parent Company"), a public joint stock company incorporated and registered in the U.A.E. The registered head office of the Company is at Level 5, Abu Dhabi Commercial Bank Head Office Building, Sheikh Zayed Bin Sultan Street, Plot C-33, Sector E-11, P.O. Box 939, Abu Dhabi, U.A.E.

The Company is registered as a brokerage company in accordance with U.A.E. Federal Law No. 4 of 2000.

The principal activities of the Company are to provide brokerage services pertaining to financial instruments and commodities, margin trading activity, financial consultation and financial analysis.

The Company conducts significant portion of its business through its Parent Company and customers which are holding current accounts with ADCB.

2 Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2017. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company's future transactions or arrangements.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRSs 2014–2016 Cycle – Amendments to IFRS 12.

Standards and Interpretations in issue but not yet effective

The Company has not early adopted any new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Company:	Effective for annual periods beginning on or after
IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	January 1, 2018
IFRS 7 Financial Instruments: Disclosures requiring additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	January 1, 2018

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Standards and Interpretations in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Company:	Effective for annual periods beginning on or after
IFRS 15 Revenue from Contracts with Customers - In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	January 1, 2018
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	January 1, 2018

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Standards and Interpretations in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Company:	**Effective for annual periods beginning on or after**
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: ▪ **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. ▪ **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised. ▪ **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Annual Improvements to IFRSs 2014 – 2016 Cycle amending IFRS 1 and IAS 28.	January 1, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration - the interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
Amendments to IFRS 2 Share-based Payment regarding classification and measurement of share based payment transactions.	January 1, 2018

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Standards and Interpretations in issue but not yet effective (continued)

New standards and significant amendments to standards applicable to the Company:	**Effective for annual periods beginning on or after**
Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019

Management anticipates that these IFRSs and amendments will be adopted in the Company's financial statements in the initial period when they become mandatorily effective. Among the new standards, only the application of IFRS 9 will have a minor impact on the Company's financial statements.

IFRS 9 Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition and in November 2013 to include the new requirements for general hedge accounting. Final version of IFRS 9 was issued in July 2014 mainly to include:

a) Impairment requirements for financial assets; and
b) Limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

IFRS 9 Financial Instruments is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued prepayment features with negative compensation (Amendments to IFRS 9). The amendments are effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company has decided not to early adopt the aforementioned amendments.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Standards and Interpretations in issue but not yet effective (continued)

IFRS 9 Financial instruments (continued)

Key requirements of IFRS 9

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at 'fair value through profit or loss' (FVTPL), IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk or that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Company's financial assets and financial liabilities as at December 31, 2017 and the facts and circumstances that exist at that date, we assessed the impact of IFRS 9 to the Company's financial statements will be very minimal as majority of the credit exposure is concentrated in margin lending and is fully collateralized. As at December 31, 2017, margin trade receivable has collateral of AED 1,073,713 thousand against net outstanding exposure of AED 495,964 thousand. The collateral covers 216% of exposures.

2 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Standards and Interpretations in issue but not yet effective (continued)

IFRS 9 Financial instruments (continued)

Classification and measurement

1. Margin lending, deposits and balance due from banks are carried at amortised cost; these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9.

2. Listed shares and classified as available for sale investments are irrevocably designated to be measured at FVTOCI under IFRS 9. However, the fair value gains or losses accumulated will no longer be subsequently reclassified to profit or loss which is different from the current treatment. This will affect the amounts recognised in the Company's income statement but will not affect the total comprehensive income.

3. All other financial assets will be measured at FVTPL, whereas liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

3 Summary of significant accounting policies

3.1 Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and applicable provisions of the UAE Federal Law No. (2) of 2015.

IFRSs comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Certain disclosure notes have been reclassified and rearranged from the Company's prior year financial statements to conform to the current year's presentation.

3.2 Measurement

The financial statements have been prepared under the historical cost convention except as modified by the revaluation of available-for-sale financial assets.

3.3 Functional and presentation currency

The financial statements are prepared and presented in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

3.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

3 Summary of significant accounting policies (continued)

3.4 Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

3.5 Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the reporting date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates or year-end exchange rates if held at fair value, as appropriate. The resulting foreign exchange gains or losses are recognised in either income statement or other comprehensive income statement depending upon the nature of the asset or liability.

3.6 Financial instruments

Initial recognition

All financial assets and liabilities are initially recognised on the date at which the Company becomes a party to the contractual provision of the instrument except for "regular way" purchases and sales of financial assets which are recognised on settlement date basis (other than derivative contracts). Settlement date is the date that the Company physically receives or transfers the assets. Regular way purchases or sales are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets are classified into the following categories: 'available-for-sale' financial assets and 'loans and receivables'. Financial liabilities are classified as 'other financial liabilities'. The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired or incurred and their characteristics.

All financial instruments are measured initially at their fair value, plus transaction costs directly attributable to the acquisition, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss where transaction costs are recognised immediately in profit or loss.

Loans and receivables

Loans and receivables include non-derivative financial assets originated or acquired by the Company with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investments will be recovered other than because of credit deterioration. The Company's loans and receivables include 'trade and other receivables', 'margin trade receivables' and 'bank balances'.

After initial measurement at fair value plus any directly attributable transaction costs, loans and receivables are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in the income statement.

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Available-for-sale

Investments not classified as either "fair value through profit or loss" or "held-to-maturity" are classified as "available-for-sale". Available-for-sale assets are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in interest rates, commodity prices or equity prices.

Available-for-sale assets are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at fair value. The fair values of quoted financial assets in active markets are based on current prices. If the market for a financial asset is not active, and for unquoted securities, the Company establishes fair value by using valuation techniques (e.g. recent arms-length transactions, discounted cash flow analysis and other valuation techniques). Only in very rare cases where fair value cannot be measured reliably, investments are carried at cost and tested for impairment, if any.

Gains and losses arising from changes in fair value are recognised in the other comprehensive income and recorded in cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in the income statement. Where the asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is included in the income statement for the year.

If an available-for-sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the income statement is removed from equity and recognised in the income statement.

Once an impairment loss has been recognised on an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income, accumulating in equity. A subsequent decline in the fair value of the instrument is recognised in the income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security. Impairment losses recognised on the equity security are not reversed through the income statement.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument.

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

A financial instrument is classified as equity if, and only if, both conditions (a) and (b) below are met.

(a) The instrument includes no contractual obligation:
- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Financial liabilities and equity (continued)

(b) If the instrument will or may be settled in the Company's own equity instruments, it is:
- a non-derivative that includes no contractual obligation for the Company to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the Company exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Debt issued and other borrowed funds

Financial instruments issued by the Company are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. These are recognised initially at fair value, net of transaction costs.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the Company has transferred substantially all the risks and rewards of the asset, or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has neither transferred its rights to receive cash flows from an asset nor has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or extinguishment is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognised in income statement.

Offsetting

Financial assets and liabilities are offset and reported net in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

The Company is party to a number of arrangements, including master netting agreements that give it the right to offset financial assets and financial liabilities but, where it does not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented on a gross basis.

3.7 Cash and cash equivalents

Cash and cash equivalents include 'bank balances', 'term deposits' with original maturities of less than three months from the date of acquisition and 'bank overdraft' and are carried at amortised cost in the statement of financial position.

3.8 Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

3.9 Fair value measurement

The Company measures its available for sale financial assets at market price that it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence in the most advantageous market for the assets or liabilities. The Company considers principal market as the market with the greatest volume and level of activity for financial assets and liabilities.

3 Summary of significant accounting policies (continued)

3.10 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement,

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

3.11 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is charged to the income statement so as to write off the depreciable amount of property and equipment over their estimated useful lives using the straight-line method. The depreciable amount is the cost of an asset less its residual value.

Estimated useful lives are as follows:

Leasehold improvement	7 to 10 years
Computer, software and office equipment	4 to 10 years
Furniture and fixtures	3 to 5 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at that date and is recognised in the income statement.

3.12 Capital work in progress

Capital work in progress is stated at cost. When the asset is ready for use, capital work in progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policies.

3.13 Provision for employees' end of service benefits

(i) Employees' end of service benefits

(a) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in income, unless the changes to the gratuity plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

The Company provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

(b) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in income statement in the periods during which services are rendered by employees.

Pension and national insurance contributions for the UAE are made by the Company to the Abu Dhabi Retirement Pensions and Benefits Fund in accordance with UAE Federal Law No. 7 of 1999.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.14 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3 Summary of significant accounting policies (continued)

3.14 Revenue and expense recognition (continued)

Brokerage commission revenue is recognised when the service has been rendered and when the Company's right to receive the income has been established. The commissions are recognised on a net basis, i.e. commission earned from customers less commission collected on behalf of the exchange. The Company believes this the most appropriate presentation because it acts as an agent in the transaction, rather than as principal.

For all financial instruments measured at amortised cost, interest and similar income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Dividends on equity instruments are recognised in income statement when the Company's right to receive the dividends is established.

4 Significant accounting judgments, estimates and assumptions

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of these financial statements. IFRS requires the management, in preparing the financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the Board of Directors (the "Board") to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Key sources of estimation uncertainty

Impairment of trade and margin trade receivables

Management has estimated the recoverability of trade and margin trade receivable balances and has considered any allowance required for doubtful receivables. Management has estimated the allowance for doubtful receivables on the basis of prior experience, the current economic environment and other conditions including customer credit-worthiness, the personal guarantee of owner, undertakings of specific customers and the net realisable value of customer portfolios which the Company has the ability to liquidate under current market regulations. Margin and trade receivables that have been assessed individually and found not to be impaired are then assessed collectively and impairment charge is calculated collectively as a percentage of receivable outstanding.

Impairment of available for sale financial asset

The Company exercises judgement to consider impairment on the available-for-sale investments. This includes determination of whether any decline in the fair value below cost of equity instruments is significant or prolonged. In making this judgement, the Company evaluates among other factors, the normal volatility in market price. In addition, the Company considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance or changes in technology.

5 Property and equipment

	Leasehold improvement AED'000	Computer, software and office equipment AED'000	Furniture and fixtures AED'000	Capital work in progress AED'000	Total AED'000
Cost					
At January 1, 2016	6,290	7,433	2,570	-	16,293
Additions	-	342	28	173	543
Write off	-	(18)	(14)	-	(32)
At January 1, 2017	**6,290**	**7,757**	**2,584**	**173**	**16,804**
Additions	**-**	**833**	**-**	**150**	**983**
Transfer		**173**		**(173)**	**-**
Write off	**-**	**(22)**	**-**		**(22)**
At December 31, 2017	**6,290**	**8,741**	**2,584**	**150**	**17,765**
Accumulated depreciation					
At January 1, 2016	5,363	6,837	2,479	-	14,679
Charge for the year	620	397	35	-	1,052
Write off	-	(18)	(14)	-	(32)
At January 1, 2017	**5,983**	**7,216**	**2,500**	**-**	**15,699**
Charge for the year	**307**	**465**	**36**	**-**	**808**
Write off	**-**	**(22)**	**-**	**-**	**(22)**
At December 31, 2017	**6,290**	**7,659**	**2,536**	**-**	**16,485**
Carrying amount					
At December 31, 2017	**-**	**1,082**	**48**	**150**	**1,280**
At December 31, 2016	307	541	84	173	1,105

6 Available-for-sale financial assets

	2017 AED'000	2016 AED'000
Quoted		
Balance as at January 1	**521**	513
Change in fair value	**(54)**	8
Balance as at December 31	**467**	521

The above represents an investment of 416,341 shares in Dubai Financial Market P.J.S.C.

7 Trade and other receivables

	2017 AED'000	2016 AED'000
Trade receivables from customers	**103,813**	88,431
Receivables from exchanges	**19,851**	1,721
Other receivable	**363**	3,463
	124,027	93,615

Trade receivables

The credit period for trade receivables is two days (trade date plus two working days). The Company has an obligation to pay these amounts to the eventual recipient (markets), even if the equivalent amounts are not collected.

The fair value of trade and other receivables approximates their carrying value.

8 Margin trade receivables

The Company has obtained the license from Securities & Commodities Authority (SCA) under registration no. 604028 dated November 24, 2013 for margin trading, whereby the Company would provide finance to its clients as a percentage of the market value of securities. These securities are considered as collateral. Additional cash or securities have to be contributed by the borrower, if the price of a stock financed on margin drops below the specified limit or otherwise the Company is allowed to liquidate the collateral. The financing arrangements are short term and interest bearing.

	2017 AED'000	2016 AED'000
Margin trade receivables	**497,036**	312,554
Less : Collective impairment allowance	**(1,072)**	(1,072)
Margin trade receivables, net	**495,964**	311,482

The fair value of margin trade receivables approximates their carrying value.

The fair value of securities held as collateral against margin trade receivables amounts to AED 1,073,173 thousand as at December 31, 2017 (2016: AED 789,494 thousand).

9 Bank balances

	2017 AED'000	2016 AED'000
Current accounts	**17,727**	42,307
Term deposits	-	100,000
	17,727	142,307
Term deposits with maturity of more than 3 months	-	(100,000)
	17,727	42,307
Bank overdraft	**(256,763)**	(188,091)
Cash and cash equivalents	**(239,036)**	(145,784)

10 Share capital

	Authorised		Issued and fully paid	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Ordinary shares of AED 1,000 each	**141,000**	71,000	**71,000**	71,000

11 Legal reserve

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, the Company has established a legal reserve by appropriation of 10% of the annual net profits until the reserve equals to 50% of the share capital. This reserve is not available for distribution.

12 Long term borrowing

The Company borrowed subordinated long term debt on May 20, 2014 from its parent company for a period of 5 years. Interest on this loan is payable quarterly in arrears at a fixed rate of 4% p.a. The Company has an option to repay prior to maturity date subject to SCA approval.

This debt qualifies as tier 2 Capital as per SCA Board decision No. 12/R of 2010 dated February 24, 2010 concerning criteria for capital adequacy of brokerage firms.

13 Provision for employees' end of service benefit

	2017 AED'000	2016 AED'000
Balance as at January 1	2,392	2,461
Charge for the year	445	306
Transfer/(settlements) during the year	315	(375)
Balance as at December 31	3,152	2,392

14 Trade and other payables

	2017 AED'000	2016 AED'000
Trade payables to customers	102,543	59,059
Payable to exchanges	20,887	30,898
Other payables	1,778	1,691
	125,208	91,648

Trade payable to customers consist of only those customers maintaining a current account with ADCB, the Parent company. The settlement date of these balances is two days following the transaction date, and is settled to the customer through their ADCB's current account.

15 Interest income

	2017 AED'000	2016 AED'000
Interest income - margin trading	22,996	8,675
Interest income - term & call deposits	828	1,953
	23,824	10,628

16 Interest expenses

	2017 AED'000	2016 AED'000
Interest expenses - Long term borrowings	4,056	4,067
Interest expenses - Bank overdraft	5,263	915
	9,319	4,982

17 Transactions and balances with related parties

The Company enters into transactions with the Parent Company and its related entities, directors and senior management of the Parent Company, related entities of the directors and senior management of the Parent Company, the Government of Abu Dhabi ("Ultimate Controlling Party") and its related entities and directors of the Company in the ordinary course of business at commercial interest and commission rates.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company being the Parent Company's directors, chief executives and its direct reports and the company's directors and general manager.

Abu Dhabi Investment Council is the Parent Company of ADCB. Abu Dhabi Investment Council was established by the Government of Abu Dhabi pursuant to law No. 16 of 2006 and so the Ultimate Controlling Party is the Government of Abu Dhabi.

Related party balances and transactions included in the statement of financial position and statement of profit or loss and other comprehensive income are as follows:

	Parent Company and its related entities AED'000	Directors and key management personnel of the Company AED'000
Balances :		
December 31, 2017		
Margin trade receivables	**2,067**	**5,175**
Bank balances with Parent Company :		
Current account	**6,845**	-
Bank overdraft	**(256,763)**	-
Due to Parent Company*	**(11,118)**	-
Long term borrowing	**(100,000)**	-
Other payable	**(11)**	-
*includes transfer of employees' end of service benefit AED 315 thousand		
December 31, 2016		
Margin trade receivables	-	1,705
Bank balances with Parent Company :		
Term deposits	100,000	-
Term deposit	4,359	-
Current account	(188,091)	-
Due to Parent Company	(36,416)	-
Long term borrowing	(100,000)	-
Other payable	(11)	-
Transactions:		
Year ended December 31, 2017		
Brokerage commission	**105**	**236**
Interest income	**911**	**158**
Interest expense	**(9,319)**	-
Commission expense on bank guarantee	**(200)**	-
Rent expense	**(233)**	

17 Transactions and balances with related parties (continued)

Transactions: (continued)

Year ended December 31, 2016		
Brokerage commission	176	202
Interest income	1,953	159
Interest expense	(4,982)	-
Commission expense on bank guarantee	(990)	-
Rent expense	(233)	-

The Parent Company provides operational support to the Company with respect to human resources, information technology, vendor payments and accounting services.

Remuneration of key management employees and Board of Directors fees and expenses during the year are as follows:

	2017	2016
	AED'000	AED'000
Short term benefits	**1,319**	1,319
Post-employment benefits	**163**	163
Variable pay benefits	**263**	278
	1,745	1,760

In addition to the above, the key management personnel were granted long term deferred compensation including share based payments of AED 113.7 thousand (2016: AED 122.5 thousand).

18 Employees' incentive plan shares of the Parent Company

ADCB has established Deferred Compensation Plan (the "Plan") to recognise and retain good performing employees. Under the Plan, the employees are granted equity shares of ADCB when they meet the vesting conditions at a price prevailing at the grant date. For the year, an amount of AED 315 thousand (2016: AED 210 thousand) has been recognised as staff expense with a corresponding increase in payable to ADCB.

As of December 31, 2017, the incentive plan declared by the Parent Company pertaining to the employees of the Company is as follows:

	January 1, 2017	January 1, 2017	January 1, 2016	January 1, 2015
Fair value of the granted shares at the grant date in AED thousand	345	57	61	352
Vesting date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2018

Vesting conditions – Three/four years' service from the grant date or meeting special conditions during the vesting period (death, disability, retirement, termination or achieving the budgeted performance).

19 Commitments and contingent liabilities

	2017 AED'000	2016 AED'000
Bank guarantees	**355,000**	355,000

As per SCA regulations, a broker is required to have an enforceable bank guarantee payable to respective stock markets. The above bank guarantees have been issued by the Parent Company.

The Company has commitment for future capital expenditure of AED 887 thousand (December 31, 2016: AED Nil).

20 Risk management

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement, mitigation and monitoring subject to risk limits and other controls. This process of risk management is critical to the Company's long-term profitability and sustainability. The major categories of risk faced by the Company are grouped into credit risks, liquidity risks, market risks and operational risks.

The Company's executive management function supports the business activities of the Company by ensuring that sufficient liquidity is maintained at all times, and by deploying liquid balances at optimum rates, within the risk parameters set by management and the governing laws and regulations.

20.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade and other receivables, margin trade receivables and bank balances. The Company has adopted a policy of only dealing with creditworthy counterparties and with customers holding a current account with ADCB, the Parent company, for whom the credit risk is assessed to be low. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

The Company is exposed to credit risk on margin trading receivables, however these receivables are fully backed by collateral of underlying securities. The Company has a right to liquidate the collateral when customer reaches below the required minimum margin.

20 Risk management (continued)

20.2 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. ADCB is the major source of funding for the Company and liquidity risk for the Company is assessed to be low.

The table below summarises the maturity profile of the Company's assets and liabilities based on contractual repayment obligations. The contractual maturities of the financial assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

December 31, 2017	0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	Over 180 days AED'000	Total AED'000
Available for sale financial assets	-	-	-	467	467
Trade and other receivables	123,974	-	-	-	123,974
Margin trade receivables	495,964	-	-	-	495,964
Bank balances	17,727	-	-	-	17,727
	637,665	-	-	467	638,132
Long term borrowing	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	3,152	3,152
Trade and other payables	125,208	-	-	-	125,208
Due to the Parent Company	11,118	-	-	-	11,118
Bank overdraft	256,763	-	-	-	256,763
	393,089	-	-	103,152	496,241
Liquidity gap	244,576	-	-	(102,685)	141,891

20 Risk management (continued)

20.2 Liquidity risk (continued)

December 31, 2016	0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	Over 180 days AED'000	Total AED'000
Available for sale financial assets	-	-	-	521	521
Trade and other receivables	93,615	-	-	-	93,615
Margin trade receivables	311,482	-	-	-	311,482
Bank balances	42,307	-	-	100,000	142,307
	447,404	-	-	100,521	547,925
Long term borrowing	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	2,392	2,392
Trade and other payables	91,648	-	-	-	91,648
Due to the Parent Company	36,416	-	-	-	36,416
Bank overdraft	188,091	-	-	-	188,091
	316,155	-	-	102,392	418,547
Liquidity gap	131,249	-	-	(1,871)	129,378

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations.

December 31, 2017	**0-30 days AED'000**	**31-90 days AED'000**	**91-180 days AED'000**	**Over 180 days AED'000**	**Total AED'000**
Trade and other payables	**125,208**	-	-	-	**125,208**
Due to Parent company	**11,118**	-	-	-	**11,118**
Bank overdraft	**256,763**	-	-	-	**256,763**
Long term borrowing	-	**1,000**	**1,011**	**103,600**	**105,611**
	393,089	**1,000**	**1,011**	**103,600**	**498,700**
December 31, 2016					
Trade and other payables	91,648	-	-	-	91,648
Due to the Parent company	36,416	-	-	-	36,416
Bank overdraft	188,091				188,091
Long term borrowing	-	988	1,011	107,667	109,666
	316,155	988	1,011	107,667	425,821

20 Risk management (continued)

20.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The Company does not maintain a significant portfolio of interest bearing assets and liabilities and quoted and unquoted securities whereby it is exposed to market risk, as its main activity is to provide Brokerage Services pertaining to financial instruments and commodities.

20.3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed materially to currency risk as majority of the assets and liabilities are denominated in the reporting currency AED.

20.3.2 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the net interest income of the Company. The overdraft carries variable rate of interest and margin trade receivable and long term borrowings are at fixed rate of interest.

As on December 31, 2017, 50 basis point increase/(decrease) in Eibor results in an increase/(decrease) in interest expense by AED 1,284 thousand (2016: AED 940 thousand)

20.3.3 Equity price risk

Equity price risk arises from change in equity price of quoted security held for available for sale. If the equity price at the end of year, had been 10% higher/(lower), other comprehensive income for the year ended December 31, 2017 would increase/(decrease) by AED 47 thousand (2016: AED 52 thousand).

20.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit and taking insurance coverage to cover possible insurable operational risks.

20.5 Capital adequacy and capital management

The Company manages its capital as per Emirates Securities and Commodities Authorities (ESCA) circular (12/R) of 2010. For the purposes of calculating the capital adequacy of the brokerage firm in accordance with the provisions of this circular "capital" shall mean the following:

1. Core capital (Tier 1): includes equity and capital contributions by the shareholders and the revaluation reserve, after deducting losses during the running fiscal year, as well as intangible assets.
2. Supplementary capital (Tier 2): includes subordinated debt instruments, the maturity dates of which are no less than five years.
3. Tertiary Capital (Tier 3): includes the profits of the trading portfolio of the brokerage firm and subordinated debt instruments, the maturity dates which are not less than two years, after deduction of non-liquid assets.

20 Risk management (continued)

20.5 Capital adequacy and capital management (continued)

Capital requirement for credit risk and operational risk is calculated using the methodology as defined by ESCA in the abovementioned circular. For operational risk, the Company uses basic indicator approach to calculate the capital requirement.

	2017 AED'000	2016 AED'000
Tier 1 Capital	**143,185**	130,391
Tier 2 Capital	**100,037**	100,092
Total	**243,222**	230,483
Capital requirement		
Credit risk	**79,703**	54,287
Operational risk	**4,208**	4,048
Total Capital requirement	**83,911**	58,335

20.6 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate their fair values.

Financial assets classified as available-for-sale are carried at fair value using the quoted prices (unadjusted) in active market. These are classified as Level 1 of fair value hierarchy.

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

21 Approval of financial statements

The financial statements were approved by the board and authorised for issue on March 6, 2018.