ADCB SECURITIES L.L.C.

Reports and financial statements
for the year ended December 31, 2018

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, 2018.

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

2018 was a challenging year with the combined turnover of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) declining from AED 335bn in 2017 to AED 205bn (decrease by 39%). The Company reported brokerage commission income for the year 2018 amounting to AED 6,653 thousand (2017: AED 15,898 thousand) decreased by 58%.

Lending against margin trading increased further from AED 495,964 thousand at 31 December 2017 to AED 568,503 thousand at 31 December 2018 reflecting an increase of 15%. However net interest income decreased from AED 14,505 thousand in 2017 to AED 13,306 thousand in 2018 due to increase in funding cost in line with EIBOR rates, while lending is at fixed rate.

Total income decreased 34% from AED 30,403 thousand in 2017 to AED 20,001 thousand in 2018.

Total expenses of AED 19,227 thousand for 2018 reflect an increase of 9% over AED 17,608 thousand in 2017.

Net profit for the year was at AED 774 thousand as compared to AED 12,795 thousand in 2017 reflecting decrease of 94% over 2017. This decrease in net profit can largely be attributed to decrease in market trading volumes combined with drop in market share from 5.5% in 2017 to 3.5% in 2018.

Total equity at the end of 2018 was AED 144,936 thousand (2017: AED 143,224 thousand).

Directors

The directors who served during the year are:

Mr. Ala'a Mohamed Atta Khalil Eraiqat (till March 22, 2018)	Chairman
Mr. Arup Mukhopadhyay (from March 22, 2018)	Chairman
Mr. Kevin Taylor	Vice Chairman
Mr. Ali Ahmed Ghulam Darwish Al Baloushi	Director
Mr. Al Sadig Muatasam Abdul Rahman Al Magboul	Director
Mr. Nabil F. A. Juma	Director
Mr Ahmad Maher Al Hakim (from May 8, 2018)	Director
Mr Paul Keating (from May 8, 2018)	Director

Auditors

Deloitte & Touche (M.E.) were external auditors of the Company for the year ended December 31, 2018 and the directors propose their re-appointment for the year ending December 31, 2019.

On behalf of the Board of Directors

Arup Mukhopadhyay
....
Arup Mukhopadhyay
Chairman
Abu Dhabi

Deloitte.

Deloitte & Touche (M.E.)
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
ADCB Securities L.L.C.
Abu Dhabi, United Arab Emirates

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 2018, 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 2018, 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 is 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)

Auditor's responsibilities for the audit of the financial statements (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 2018;
- 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 2018 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 2018.

Further, as required by the Resolution of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2018:

- Law of establishment; and
- relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
28 March 2019
Abu Dhabi
United Arab Emirates

Statement of financial position
As at December 31, 2018

	Notes	2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	1,357	1,280
Investment securities	6	333	467
Total non-current assets		1,690	1,747
Current assets			
Trade and other receivables	7	8,223	124,027
Margin trade receivables	8	568,503	495,964
Bank balances	9	8,675	17,727
Total current assets		585,401	637,718
Total assets		587,091	639,465
EQUITY AND LIABILITIES			
Equity			
Share capital	10	71,000	71,000
Legal reserve	11	10,448	10,370
Investment revaluation reserve		(96)	38
Retained earnings		63,584	61,816
Total equity		144,936	143,224
Liabilities			
Non-current liabilities			
Long term borrowing	12	100,000	100,000
Provision for employees' end of service benefit	13	3,485	3,152
Total non-current liabilities		103,485	103,152
Current liabilities			
Trade and other payables	14	10,163	125,208
Due to the Parent Company	17	4,498	11,118
Bank overdraft	9	324,009	256,763
Total current liabilities		338,670	393,089
Total liabilities		442,155	496,241
Total equity and liabilities		587,091	639,465

Arup Mukhopadhyay
Chairman

Hassan Salem Al Hossani
General Manager

Deepak Khullar
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, 2018

	Notes	2018 AED'000	2017 AED'000
Income			
Brokerage commission		6,653	15,898
Interest income	15	26,776	23,824
Interest expense	16	(13,470)	(9,319)
Net interest income		13,306	14,505
Other income		42	-
		20,001	30,403
Expenses			
Staff expenses		(14,455)	(13,384)
Depreciation	5	(515)	(808)
Other operating expenses		(4,257)	(3,416)
		(19,227)	(17,608)
Net profit for the year		774	12,795
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss			
Movement in available for sale investment securities	6	-	(54)
Items that may not be re-classified subsequently to profit or loss			
Movement in investment revaluation reserve for equity instruments measured at FVTOCI	6	(134)	-
Total comprehensive income for the year		640	12,741

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

Statement of changes in equity
for the year ended December 31, 2018

	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, 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 January 1, 2018 (as previously reported)		**71,000**	**10,370**	**38**	**61,816**	**143,224**
Effect of change in accounting policy for IFRS 9 (Note 3.6)		-	-	-	**1,072**	**1,072**
Balance at January 1, 2018 (restated)		**71,000**	**10,370**	**38**	**62,888**	**144,296**
Net profit for the year		-	-	-	**774**	**774**
Fair value changes of investment in equity instruments designated as at FVTOCI	6	-	-	**(134)**	-	**(134)**
Total comprehensive income for the year		-	-	**(134)**	**774**	**640**
Transfer to legal reserve		-	**78**	-	**(78)**	-
Balance at December 31, 2018		**71,000**	**10,448**	**(96)**	**63,584**	**144,936**

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

Statement of cash flows
for the year ended December 31, 2018

	2018 AED'000	2017 AED'000
Operating activities		
Net profit for the year	**774**	12,795
Adjustment for:		
Depreciation on property and equipment	**515**	808
Employees' end of service benefit charge	**555**	445
Operating cash flows before changes in operating assets and liabilities	**1,844**	14,048
Decrease/(increase) in trade and other receivables	**115,804**	(30,412)
Increase in margin trade receivables	**(71,467)**	(184,482)
Net movement in due to the Parent Company *	**(6,842)**	(24,983)
(Decrease)/increase in trade and other payables	**(115,045)**	33,560
Net cash used in operating activities	**(75,706)**	(192,269)
Investing activities		
Purchase of property and equipment	**(592)**	(983)
Net movement in term deposits	**-**	100,000
Net cash (used in)/ generated from investing activities	**(592)**	99,017
Net decrease in cash and cash equivalents	**(76,298)**	(93,252)
Cash and cash equivalents at beginning of the year	**(239,036)**	(145,784)
Cash and cash equivalents at end of the year (note 9)	**(315,334)**	(239,036)
Non cash transactions		
*Transfer of employees' end of service benefit	**(222)**	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 the following new accounting standards and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these new accounting standards and amendments to 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.

- IFRS 15 Revenue from Contracts with Customers
- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 2 Share-based Payment clarifying the classification and measurement of share-based payment transactions
- Amendments to IFRS 7 Financial Instruments: Disclosures about the initial application of IFRS 9
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements

The Company applied for the first time, IFRS 9 Financial Instruments that is required to be applied retrospectively with adjustments to be made in the opening balance of equity. As required by IAS 1 Presentation of Financial Statements, the nature and effect of these changes are disclosed in Note 3.6 of the consolidated financial statements.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2018.

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

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 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 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
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
Amendment to IAS 19 Employee Benefits: The Amendments clarify that: - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.	January 1, 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020

Management anticipates that these IFRSs and amendments will be adopted in the initial period when they become mandatorily effective and will have no material impact on the consolidated financial statements of the Company.

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.

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 Change in Accounting policy policies

The Company has adopted IFRS 9 Financial Instruments as issued by the IASB in July 2014 with a date of transition of January 1, 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognised. The Company did not adopt any of IFRS 9 versions in previous periods.

3 Summary of significant accounting policies (continued)

3.6 Change in Accounting policy policies (continued)

As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. All adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognised in opening retained earnings and other reserves of the current period.

Set out below are the disclosures relating to the impact of IFRS 9 on the Company.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at January 1, 2018 are compared as follows:

	Original measurement category as per IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 AED'000	Remeasurements AED'000	New carrying amount under IFRS 9 AED'000
Available-for-sale financial assets	AFS	FVTOCI	467	-	467
Margin trade receivables	Amortised cost	Amortised cost	495,964	1,072	497,036
Bank balances	Amortised cost	Amortised cost	17,727	-	17,727
Total			**514,158**	**1,072**	**515,230**

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at January 1, 2018:

	Impairment allowance under IAS 39 AED'000	Remeasurements AED'000	Impairment allowance under IFRS 9 AED'000
Margin trade receivables	1,072	(1,072)	-
Total	**1,072**	**(1,072)**	**-**

Significant accounting policies introduced on adoption of IFRS 9

Financial assets

All financial assets are recognised and derecognised on settlement date basis (other than derivative contracts which are recognised and derecognised on trade date basis) where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Settlement date is the date that the Company physically receives or transfers the assets. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

3 Summary of significant accounting policies (continued)

3.6 Change in Accounting policy policies (continued)

Financial assets (continued)

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments 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 amount outstanding (SPPI), are subsequently measured at amortised cost;
(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);
(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
    - the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI) with dividend income recognised in profit or loss; and
    - the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Company elected for an irrevocable designation for measuring changes in fair value of an equity investment through other comprehensive income.

Impairment

The Company recognises loss allowances for ECLs on margin trade receivables. No impairment loss is recognised on equity investments.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL that result from all possible default events over the life of the financial instrument,

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

3 Summary of significant accounting policies (continued)

3.6 Change in Accounting policy policies (continued)

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

3.7 Financial assets (accounting policy until 31 December 2017)

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'.

3 Summary of significant accounting policies (continued)

3.7 Financial assets (accounting policy until 31 December 2017) (continued)

Loans and receivables (continued)

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.

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.

3.8 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.

3 Summary of significant accounting policies (continued)

3.8 Financial liabilities and equity (continued)

(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.

(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.

3.9 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)

3.9 Derecognition of financial assets and financial liabilities (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.

3.10 Offsetting of financials assets and liabilities

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.

3.11 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.

3.12 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.

3.13 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)

3.14 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.

3.15 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.

3.16 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 Summary of significant accounting policies (continued)

3.17 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 Summary of significant accounting policies (continued)

3.18 Revenue and expense recognition (accounting policy from 1 January 2018)

Commission income from brokerage services with regards to services is accounted at a point in time as the services are rendered. The Company has assessed that adoption of IFRS 15 does not have any impact on the financial statements.
Management believes this to be the most appropriate presentation on the grounds that the Company acts as an agent in the transaction rather than as a principal.

Finance income from margin trading is accrued on a time and proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest on margin trading is accrued from the time the margin customer execute trade.

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

3.19 Revenue and expense recognition (accounting policy untill 31 December 2017)

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.

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.

4 Significant accounting judgments, estimates and assumptions (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Calculation of loss allowance (from 1 January 2018)

Management measures loss allowance in accordance with IFRS 9 which requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

Management has assessed requirements of IFRS 9 and concluded that the ECL is not required to be recorded as the financial assets recorded by the Company are fully collateralised.

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, 2017	6,290	7,757	2,584	173	16,804
Additions	-	833	-	150	983
Transfer	-	173	-	(173)	-
Write off	-	(22)	-	-	(22)
At January 1, 2018	**6,290**	**8,741**	**2,584**	**150**	**17,765**
Additions	**-**	**592**	**-**	**-**	**592**
Transfer	**-**	**150**	**-**	**(150)**	**-**
At December 31, 2018	**6,290**	**9,483**	**2,584**	**-**	**18,357**
Accumulated depreciation					
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 January 1, 2018	**6,290**	**7,659**	**2,536**	**-**	**16,485**
Charge for the year	**-**	**484**	**31**	**-**	**515**
At December 31, 2018	**6,290**	**8,143**	**2,567**	**-**	**17,000**
Carrying amount					
At December 31, 2018	**-**	**1,340**	**17**	**-**	**1,357**
At December 31, 2017	-	1,082	48	150	1,280

6 Investment Securities

	2018 AED'000	2017 AED'000
Quoted		
Investment in equity instruments designated as at FVTOCI		
Balance as at January 1	**467**	521
Change in fair value	**(134)**	(54)
Balance as at December 31	**333**	467

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

7 Trade and other receivables

	2018 AED'000	2017 AED'000
Trade receivables from customers	**7,878**	103,813
Receivables from exchanges	**12**	19,851
Other receivable	**333**	363
	8,223	124,027

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.

	2018 AED'000	2017 AED'000
Margin trade receivables	**568,503**	497,036
Less : Collective impairment allowance	-	(1,072)
Margin trade receivables, net	**568,503**	495,964

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 1,011,642 thousand as at December 31, 2018 (2017: AED 1,073,173 thousand).

9 Bank balances

	2018 AED'000	2017 AED'000
Current accounts	**8,675**	17,727
Bank overdraft	**(324,009)**	(256,763)
Cash and cash equivalents	**(315,334)**	(239,036)

10 Share capital

	Authorised		Issued and fully paid	
	2018	2017	**2018**	2017
	AED'000	AED'000	**AED'000**	AED'000
Ordinary shares of AED 1,000 each	**141,000**	141,000	**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

	2018	2017
	AED'000	AED'000
Balance as at January 1	**3,152**	2,392
Charge for the year	**555**	445
Transfer(out)/in during the year	**(222)**	315
Balance as at December 31	**3,485**	3,152

14 Trade and other payables

	2018	2017
	AED'000	AED'000
Trade payables to customers	**5,959**	102,543
Payable to exchanges	**1,913**	20,887
Other payables	**2,291**	1,778
	10,163	125,208

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

	2018 AED'000	2017 AED'000
Interest income - margin trading	**26,769**	22,996
Interest income - term & call deposits	**7**	828
	26,776	23,824

16 Interest expenses

	2018 AED'000	2017 AED'000
Interest expenses - Long term borrowings	**4,056**	4,056
Interest expenses - Bank overdraft	**9,414**	5,263
	13,470	9,319

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:

17 Transactions and balances with related parties (continue)

	Parent Company and its related entities AED'000	Directors and key management personnel of the Company AED'000
Balances :		
December 31, 2018		
Margin trade receivables	**-**	**625**
Bank balances with Parent Company:		
Current account	**9,206**	-
Bank overdraft	**(324,009)**	-
Due to Parent Company	**(4,498)**	-
Long term borrowing	**(100,000)**	-
Other payable (interest payable)	**(11)**	-
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 (interest payable)	(11)	-
Transactions:		
Year ended December 31, 2018		
Brokerage commission	**104**	**67**
Interest income	**80**	**127**
Interest expense	**(13,470)**	-
Commission expense on bank guarantee	**(215)**	-
Rent expense	**(367)**	--
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)	

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

17 Transactions and balances with related parties (continue)

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

	2018 AED'000	2017 AED'000
Short term benefits	**1,386**	1,319
Post-employment benefits	**172**	163
Variable pay benefits	**287**	263
	1,845	1,745

In addition to the above, the key management personnel were granted long term deferred compensation of AED 128.5 thousand (2017: AED 113.7 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 293 thousand (2017: AED 315 thousand) has been recognised as staff expense with a corresponding increase in payable to ADCB.

As of December 31, 2018, the incentive plan declared by the Parent Company pertaining to the employees of the Company is as follows:

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

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

	2018 AED'000	2017 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 Nil (December 31, 2017: AED 887 thousand).

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.

20 Risk management (continue)

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.

20.2 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, 2018	0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	Over 180 days AED'000	Total AED'000
Investment securities	-	-	-	333	333
Trade and other receivables	8,223	-	-	-	8,223
Margin trade receivables	568,503	-	-	-	568,503
Bank balances	8,675	-	-	-	8,675
	585,401	-	-	333	585,734
Long term borrowing	-	-	100,000	-	100,000
Provision for employees' end of service benefit	-	-	-	3,485	3,485
Trade and other payables	10,163	-	-	-	10,163
Due to the Parent Company	4,498	-	-	-	4,498
Bank overdraft	324,009	-	-	-	324,009
	338,670	-	100,000	3,485	442,155
Liquidity gap	246,731	-	(100,000)	(3,152)	143,579

20 **Risk management** (continue)

20.2 **Liquidity risk** (continue)

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
Investment securities	-	-	-	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

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

December 31, 2018	**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	**10,163**	-	-	-	**10,163**
Due to Parent company	**4,498**	-	-	-	**4,498**
Bank overdraft	**324,009**	-	-	-	**324,009**
Long term borrowing	-	**1,000**	**100,555**	-	**101,555**
	338,670	**1,000**	**100,555**	-	**440,225**
December 31, 2017					
Trade and other payables	125,208	-	-	-	125,208
Due to the 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

20 Risk management (continue)

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, 2018, 50 basis point increase/(decrease) in Eibor results in an increase/(decrease) in interest expense by AED 1,620 thousand (2017: AED 1,284 thousand)

20.3.3 Equity price risk

Equity price risk arises from change in equity price of quoted Investment securities. If the equity price at the end of year, had been 10% higher/(lower), other comprehensive income for the year ended December 31, 2018 would increase/(decrease) by AED 33 thousand (2017: AED 47 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 (continue)

20.5 Capital adequacy and capital management (continue)

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.

	2018 AED'000	2017 AED'000
Tier 1 Capital	**145,422**	143,185
Tier 2 Capital (refer note 12)	**99,904**	100,037
Total Capital	**245,326**	243,222
Capital requirement		
Credit risk	**89,845**	79,703
Operational risk	**4,402**	4,208
Total Capital requirement	**94,247**	83,911

The Company's Tier 2 capital matures on May 20, 2019.

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 Investment securities 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 28, 2019.