

**ADCB Securities L.L.C.**

**Reports and financial statements  
for the year ended December 31, 2020**



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for the year ended December 31, 2020

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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, 2020.

### **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 results**

The Company reported brokerage commission income for the year 2020 amounting to AED 7,635 thousand (2019: AED 4,980 thousand) an increase of 53%.

Lending against margin trading decreased from AED 464,785 thousand as at December 31, 2019 to AED 259,111 thousand as at December 31, 2020 reflecting a decrease of 44%. The net interest income decreased from AED 14,781 thousand in 2019 to AED 12,223 thousand in 2020, decreased by 17%, due to lower average outstanding of margin clients.

Total income marginally increased by 1% from AED 19,761 thousand in 2019 to AED 19,881 thousand in 2020.

Total expenses of AED 18,237 thousand for 2020 reflect an increase of 5% over AED 17,294 thousand in 2019.

Net profit for the year was AED 1,644 thousand as compared to AED 2,467 thousand in 2019 reflecting a decrease of 33% over 2019 due to increase in expenses.

Total equity at the end of 2020 was AED 149,131 thousand (December 31, 2019: AED 147,474 thousand).

### **Directors**

The directors who served during the year are:

Mr. Arup Mukhopadhyay	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	Director
Mr. Paul Keating	Director

### **On behalf of the Board of Directors**



.....  
**Arup Mukhopadhyay**  
**Chairman**  
Abu Dhabi



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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF ADCB SECURITIES L.L.C.**

#### **Report on the Audit of the Financial Statements**

##### *Opinion*

We have audited the financial statements of ADCB Securities L.L.C. (the "Company"), which comprise the statement of financial position as at 31 December 2020, 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 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

##### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (including international independence standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the 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 Board of Directors' report but 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

When we read the Board of Directors' report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

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

The Board of Directors and management are responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 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.

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

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF ADCB SECURITIES L.L.C. continued

#### Report on the Audit of the Financial Statements continued

##### *Auditor's responsibilities for the audit of the financial statements*

Our objective is 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 ISAs, we exercise professional judgment 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 risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 represent 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.

##### *Other matter*

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 March 2020.



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**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF ADCB SECURITIES L.L.C. continued**

**Report on Other Legal and Regulatory matters**

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements 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;
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account and records of the Company;
- v) note 6 to the financial statements discloses purchase and sale of investment in shares during the financial year ended 31 December 2020;
- vi) note 17 to the financial statements reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2020, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2020; and
- viii) note 23 to the financial statements discloses social contribution made during the year.

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 2020:

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

Signed by  
Anthony O' Sullivan  
Partner  
Ernst & Young  
Registration No 687

23 March 2021  
Abu Dhabi

**ADCB Securities L.L.C.****Statement of financial position**

As at December 31, 2020

	Notes	2020 AED'000	2019 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment, net	5	375	840
Investment security	6	852	404
<b>Total non-current assets</b>		<b>1,227</b>	<b>1,244</b>
<b>Current assets</b>			
Trade and other receivables	7	23,622	20,168
Margin trade receivables	8	259,111	464,785
Cash and bank balances	9	9,630	6,565
<b>Total current assets</b>		<b>292,363</b>	<b>491,518</b>
<b>Total assets</b>		<b>293,590</b>	<b>492,762</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	71,000	71,000
Legal reserve	11	10,860	10,695
Revaluation reserve of investment designated at FVTOCI		(12)	(25)
Retained earnings		67,283	65,804
<b>Total equity</b>		<b>149,131</b>	<b>147,474</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term borrowing	12	100,000	100,000
Provision for employees' end of service benefit	13	3,497	3,863
<b>Total non-current liabilities</b>		<b>103,497</b>	<b>103,863</b>
<b>Current liabilities</b>			
Trade and other payables	14	26,392	21,372
Due to Parent Company	17	3,847	2,739
Bank overdraft	9	10,723	217,314
<b>Total current liabilities</b>		<b>40,962</b>	<b>241,425</b>
<b>Total liabilities</b>		<b>144,459</b>	<b>345,288</b>
<b>Total equity and liabilities</b>		<b>293,590</b>	<b>492,762</b>


**Arup Mukhopadhyay**  
Chairman


**Hassan Salem Al Hossani**  
General Manager


**Vijay Kasturi**  
Head - Financial Control & Planning

The accompanying notes 1 to 22 are an integral part of these financial statements.

**Statement of profit or loss and other comprehensive income**

For the year ended December 31, 2020

	Notes	2020 AED'000	2019 AED'000
<b>Income</b>			
Brokerage commission		7,635	4,980
Interest income	15	18,455	26,402
Interest expense	16	(6,232)	(11,621)
Net interest income		12,223	14,781
Other income		23	-
		19,881	19,761
<b>Expenses</b>			
Staff expenses		(13,595)	(13,202)
Depreciation	5	(465)	(517)
Other operating expenses		(4,177)	(3,575)
		(18,237)	(17,294)
<b>Profit for the year</b>		1,644	2,467
<b>Other comprehensive income</b>			
<i>Item that may not be re-classified subsequently to profit or loss</i>			
Fair value changes of equity instrument designated at FVTOCI	6	13	71
<b>Total comprehensive income for the year</b>		1,657	2,538

The accompanying notes 1 to 22 are an integral part of these financial statements.



## ADCB Securities L.L.C.

### Statement of changes in equity

For the year ended December 31, 2020

	Notes	Share capital AED'000	Legal reserve AED'000	Revaluation reserve of investment designated at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
<b>Balance as at January 1, 2020</b>		<b>71,000</b>	<b>10,695</b>	<b>(25)</b>	<b>65,804</b>	<b>147,474</b>
Profit for the year		-	-	-	<b>1,644</b>	<b>1,644</b>
Fair value changes of equity instrument designated at FVTOCI	<b>6</b>	-	-	<b>13</b>	-	<b>13</b>
<b>Total comprehensive income for the year</b>		-	-	<b>13</b>	<b>1,644</b>	<b>1,657</b>
Transfer to legal reserve	<b>11</b>	-	<b>165</b>	-	<b>(165)</b>	-
<b>Balance as at December 31, 2020</b>		<b>71,000</b>	<b>10,860</b>	<b>(12)</b>	<b>67,283</b>	<b>149,131</b>
<b>Balance at January 1, 2019</b>		71,000	10,448	(96)	63,584	144,936
Profit for the year		-	-	-	2,467	2,467
Fair value changes of equity instrument designated at FVTOCI	<b>6</b>	-	-	71	-	71
Total comprehensive income for the year		-	-	71	2,467	2,538
Transfer to legal reserve	<b>11</b>	-	247	-	(247)	-
<b>Balance as at December 31, 2019</b>		71,000	10,695	(25)	65,804	147,474

The accompanying notes 1 to 22 are an integral part of these financial statements.

**Statement of cash flows**

For the year ended December 31, 2020

	Notes	2020 AED'000	2019 AED'000
<b>Operating activities</b>			
Profit for the year		1,644	2,467
<b>Adjustment for:</b>			
Depreciation on property and equipment	5	465	517
Employees' end of service benefit charge	13	348	359
		<u>2,457</u>	<u>3,343</u>
<b>Movements in working capital</b>			
Increase in trade and other receivables		(3,454)	(11,945)
Decrease in margin trade receivables		205,674	103,718
Net movement in due to Parent Company *		(41)	(1,457)
Increase in trade and other payables		5,020	11,209
Payment of end of service benefits	13	-	(283)
		<u>209,656</u>	<u>104,585</u>
<b>Net cash from operating activities</b>			
		<u>209,656</u>	<u>104,585</u>
<b>Financing activities</b>			
Repayment of borrowing		-	(100,000)
Proceeds from borrowing		-	100,000
		<u>-</u>	<u>-</u>
<b>Net cash from financing activities</b>			
		<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<u>209,656</u>	<u>104,585</u>
Cash and cash equivalents at beginning of the year		(210,749)	(315,334)
		<u>(210,749)</u>	<u>(315,334)</u>
<b>Cash and cash equivalents at end of the year</b>	9	<u>(1,093)</u>	<u>(210,749)</u>
<b>*Non-cash transactions</b>			
Transfer of employees' end of service benefit	13	(714)	302
Transfer of investment securities	6	(435)	-
		<u>(1,149)</u>	<u>302</u>

The accompanying notes 1 to 22 are an integral part of these financial statements.

**Notes to the financial statements**

December 31, 2020

**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 Abu Dhabi Commercial Bank Head Office Building 2, Sheikh Zayed Bin Sultan Street, 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.

The Company conducts a 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 IFRS 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, 2020. The application of these 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.

- Amendments to reference to the Conceptual Framework for Financial Reporting.
- Amendment to IFRS 3 regarding the definition of business.
- Amendments to IFRS 7, IFRS 9 and IAS 39 regarding interest rate benchmark reforms.
- Amendment to IAS 1 and IAS 8 regarding the definition of materiality.
- Amendments in IFRS 16 regarding COVID-19 related concession.

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, 2020.

**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.

<b>New standards and significant amendments to standards applicable to the Company:</b>	<b>Effective for annual periods beginning on or after</b>
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4).	January 1, 2023
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

**Notes to the financial statements**

December 31, 2020

**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 IAS 1 'Presentation of Financial Statements' to address classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	January 1, 2021
Amendments to IAS 16 'Property, Plant and Equipment' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.	January 1, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	January 1, 2022
IFRS 17 'Insurance Contracts' which requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of January 1, 2021.	January 1, 2023
Amendments to IFRS 17 'Insurance Contracts' to address concerns and implementation challenges that were identified after IFRS 17 was published in 2017	January 1, 2023

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 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).

**3.2 Measurement**

The financial statements have been prepared under the historical cost convention except for investment designated at FVTOCI.

**3 Summary of significant accounting policies (continued)****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 statement of profit and loss or other comprehensive income statement depending upon the nature of the asset or liability.

**3.6 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.

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:

**3 Summary of significant accounting policies (continued)****3.6 Financial assets (continued)**

- 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 Expected Credit Losses (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.

**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 Summary of significant accounting policies (continued)****3.7 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.
- (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.

**3.8 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:

**3 Summary of significant accounting policies (continued)****3.8 Derecognition of financial assets and financial liabilities (continued)****Financial assets (continued)**

- 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.

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.

**3.9 Offsetting of financial 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.

**3.10 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 Summary of significant accounting policies (continued)****3.11 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.

**3.12 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.

**3.13 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.

**3.14 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.

**3 Summary of significant accounting policies (continued)****3.14 Property and equipment (continued)****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.

**3.15 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.

**3.16 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.

**3 Summary of significant accounting policies (continued)****3.15 Provision for employees' end of service benefits (continued)****(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.

**3.17 Revenue and expense recognition**

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.

**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**

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 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 collateralized. Also in case of trade receivables there is no ECL requirement as these receivables are short term in nature (settlement on T+2 basis).

**Notes to the financial statements**

December 31, 2020

**5 Property and equipment, net**

	<b>Leasehold improvement AED'000</b>	<b>Computer, software and office equipment AED'000</b>	<b>Furniture and fixtures AED'000</b>	<b>Total AED'000</b>
<b>Cost</b>				
As at January 1, 2019	6,290	9,483	2,584	18,357
Additions /transfer	-	-	-	-
<b>As at January 1, 2020</b>	<b>6,290</b>	<b>9,483</b>	<b>2,584</b>	<b>18,357</b>
<b>As at December 31, 2020</b>	<b>6,290</b>	<b>9,483</b>	<b>2,584</b>	<b>18,357</b>
<b>Accumulated depreciation</b>				
As at January 1, 2019	6,290	8,143	2,567	17,000
Charge for the year	-	503	14	517
<b>As at January 1, 2020</b>	<b>6,290</b>	<b>8,646</b>	<b>2,581</b>	<b>17,517</b>
<b>Charge for the year</b>	<b>-</b>	<b>462</b>	<b>3</b>	<b>465</b>
<b>As at December 31, 2020</b>	<b>6,290</b>	<b>9,108</b>	<b>2,584</b>	<b>17,982</b>
<b>Carrying amount</b>				
<b>As at December 31, 2020</b>	<b>-</b>	<b>375</b>	<b>-</b>	<b>375</b>
As at December 31, 2019	-	837	3	840

**6 Investment security**

	<b>2020 AED'000</b>	<b>2019 AED'000</b>
<b>Investment in equity instrument designated as at FVTOCI</b>		
<b>Quoted :</b>		
Balance as at January 1	<b>404</b>	333
Transfer during the period (Note 17)	<b>435</b>	-
Change in fair value	<b>13</b>	71
<b>Balance as at December 31</b>	<b>852</b>	404

The above represents investment of 916,341 shares (December 31, 2019: 416,341 shares) in Dubai Financial Market P.J.S.C. of which 500,000 shares are transferred from a fellow subsidiary company (Union Brokerage LLC) during the current period.

**Notes to the financial statements**

December 31, 2020

**7 Trade and other receivables**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Trade receivables from customers	<b>16,590</b>	14,974
Receivables from exchanges	<b>6,869</b>	4,699
Other receivables	<b>163</b>	495
	<hr/> <b>23,622</b>	<hr/> 20,168
	<hr/> <hr/>	<hr/> <hr/>

**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.

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Margin trade receivables	<b>259,111</b>	464,785
	<hr/> <hr/>	<hr/> <hr/>

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 571,676 thousand as at December 31, 2020 (December 31, 2019: AED 828,878 thousand).

**9 Cash and bank balances**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Cash	<b>7</b>	-
Call and current accounts	<b>9,623</b>	6,565
Bank overdraft	<b>(10,723)</b>	(217,314)
	<hr/> <b>(1,093)</b>	<hr/> (210,749)
Cash and cash equivalents	<hr/> <hr/> <b>(1,093)</b>	<hr/> <hr/> (210,749)

**Notes to the financial statements**

December 31, 2020

**10 Share capital**

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Ordinary shares of AED 1,000 each	<b>141,000</b>	141,000	<b>71,000</b>	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, 2019 from its parent company for a period of 5 years. Interest on this loan was payable quarterly in arrears at fixed rate of 4.85% till 31 October 2020. Effective 1 November 2020, the interest rate was revised to six month Eibor plus 100 basis points p.a.. The Company has the 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**

	<b>2020</b>	<b>2019</b>
	<b>AED'000</b>	<b>AED'000</b>
Balance as at January 1	<b>3,863</b>	3,485
Charge for the year	<b>348</b>	359
Transfer (out)/in during the year	<b>(714)</b>	302
Payment during the year	<b>-</b>	(283)
Balance as at December 31	<b>3,497</b>	3,863

**14 Trade and other payables**

	<b>2020</b>	<b>2019</b>
	<b>AED'000</b>	<b>AED'000</b>
Trade payables to customers	<b>18,026</b>	19,644
Payable to exchanges	<b>5,398</b>	-
Other payables	<b>2,968</b>	1,728
	<b>26,392</b>	21,372

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.

**Notes to the financial statements**

December 31, 2020

**15 Interest income**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Interest income - margin trading	<b>18,452</b>	26,396
Interest income - call deposits	<b>3</b>	6
	<hr/> <b>18,455</b> <hr/>	<hr/> 26,402 <hr/>

**16 Interest expense**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Interest expense - Long term borrowing	<b>4,394</b>	4,589
Interest expense - Bank overdraft	<b>1,838</b>	7,032
	<hr/> <b>6,232</b> <hr/>	<hr/> 11,621 <hr/>

**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:



**Notes to the financial statements**

December 31, 2020

**17 Transactions and balances with related parties (continued)**

	<b>Parent Company and its related entities AED'000</b>	<b>Directors and key management personnel of the Company AED'000</b>
<b>Balances :</b>		
<b>As at December 31, 2020</b>		
Margin trade receivables	3,057	843
Bank balances with Parent Company:		
Current account <sup>1</sup>	9,587	-
Bank overdraft	(10,723)	-
Due to Parent Company <sup>2</sup>	(3,847)	-
Long term borrowing	(100,000)	-
Other payable - interest payable	(5)	-
<b>As at December 31, 2019</b>		
Margin trade receivables	2,885	561
Bank balances with Parent Company:		
Current account <sup>1</sup>	6,528	-
Bank overdraft	(217,314)	-
Due to Parent Company <sup>2</sup>	(2,739)	-
Long term borrowing	(100,000)	-
Other payable - interest payable	(13)	-
<b>Transactions:</b>		
<b>Year ended December 31, 2020</b>		
Brokerage commission	52	46
Interest income	175	38
Interest expense	(6,232)	-
Commission expense on bank guarantee <sup>3</sup>	(216)	-
Rent expense	(480)	-
<b>Year ended December 31, 2019</b>		
Brokerage commission	77	23
Interest income	139	65
Interest expense	(11,621)	-
Commission expense on bank guarantee <sup>3</sup>	(216)	-
Rent expense	(492)	-

<sup>1</sup> Includes AED 1,726 thousand (December 31, 2019: AED 7 thousand) of current account balances maintained with related entity of ultimate controlling party.

<sup>2</sup> Net of AED 714 thousand (December 31, 2019: AED (302) thousand) transfer out/ (in) of employees end of service benefit and AED 435 thousand (December 31, 2019: AED nil) for transfer in investment securities.

<sup>3</sup> For bank guarantees issued by the Parent Company refer note 19.

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

**Notes to the financial statements**

December 31, 2020

**17 Transactions and balances with related parties (continued)**

Remuneration of key management employees during the year are as follows:

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Short term benefits	<b>1,407</b>	1,408
Post-employment benefits	<b>176</b>	175
Variable pay benefits	<b>302</b>	302
	<b>1,885</b>	1,885

In addition to the above, the key management personnel were granted long term deferred compensation of AED 138.5 thousand (2019: AED 138.5 thousand).

**18 Employees' incentive plan shares of the Parent Company**

The Parent company has established Deferred Compensation Plan (the "Plan") to recognise and retain good performing employees. Under the Plan, the employees are granted equity shares of the Parent company when they meet the vesting conditions at a price prevailing at the grant date. For the year, an amount of AED 86 thousand (2019: AED 105 thousand) has been recognised as staff expense with a corresponding increase in payable to the Parent company.

As at December 31, 2020, the incentive plan declared by the Parent Company pertaining to the employees of the Company is as follows:

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

Vesting conditions – 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**

	<b>2020</b>	2019
	<b>AED'000</b>	AED'000
Bank guarantees	<b>355,000</b>	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.

**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.

**Notes to the financial statements**

December 31, 2020

**20 Risk management (continued)**

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 Bank of U.A.E.

The Company is exposed to credit risk on trade receivables (which are short term in nature T+2) and 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.

<b>December 31, 2020</b>	<b>0-30 days AED'000</b>	<b>31-90 days AED'000</b>	<b>91-180 days AED'000</b>	<b>Over 180 days AED'000</b>	<b>Total AED'000</b>
Property and equipment, net	-	-	-	375	375
Investment securities	-	-	-	852	852
Trade and other receivables	23,622	-	-	-	23,622
Margin trade receivables	259,111	-	-	-	259,111
Cash and bank balances	9,630	-	-	-	9,630
	<b>292,363</b>	<b>-</b>	<b>-</b>	<b>1,227</b>	<b>293,590</b>
Long term borrowing	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	3,497	3,497
Trade and other payables	26,392	-	-	-	26,392
Due to Parent Company	3,847	-	-	-	3,847
Bank overdraft	10,723	-	-	-	10,723
Equity	-	-	-	149,131	149,131
	<b>40,962</b>	<b>-</b>	<b>-</b>	<b>252,628</b>	<b>293,590</b>
Liquidity gap	<b>251,401</b>	<b>-</b>	<b>-</b>	<b>(251,401)</b>	<b>-</b>

**Notes to the financial statements**

December 31, 2020

**20 Risk management (continued)**
**20.2 Liquidity risk (continued)**

	<b>0-30 days AED'000</b>	<b>31-90 days AED'000</b>	<b>91-180 days AED'000</b>	<b>Over 180 days AED'000</b>	<b>Total AED'000</b>
<b>December 31, 2019</b>					
Property and equipment, net	-	-	-	840	840
Investment securities	-	-	-	404	404
Trade and other receivables	20,168	-	-	-	20,168
Margin trade receivables	464,785	-	-	-	464,785
Cash and bank balances	6,565	-	-	-	6,565
	<u>491,518</u>	<u>-</u>	<u>-</u>	<u>1,244</u>	<u>492,762</u>
Long term borrowing	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	3,863	3,863
Trade and other payables	21,372	-	-	-	21,372
Due to the Parent Company	2,739	-	-	-	2,739
Bank overdraft	217,314	-	-	-	217,314
Equity	-	-	-	147,474	147,474
	<u>241,425</u>	<u>-</u>	<u>-</u>	<u>251,337</u>	<u>492,762</u>
Liquidity gap	<u>250,093</u>	<u>-</u>	<u>-</u>	<u>(250,093)</u>	<u>-</u>

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

	<b>0-30 days AED'000</b>	<b>31-90 days AED'000</b>	<b>91-180 days AED'000</b>	<b>Over 180 days AED'000</b>	<b>Total AED'000</b>
<b>December 31, 2020</b>					
Bank overdraft	<b>10,723</b>	-	-	-	<b>10,723</b>
Long term borrowing	-	<b>420</b>	<b>425</b>	<b>104,928</b>	<b>105,773</b>
	<u><b>10,723</b></u>	<u><b>420</b></u>	<u><b>425</b></u>	<u><b>104,928</b></u>	<u><b>116,496</b></u>
<b>December 31, 2019</b>					
Bank overdraft	217,314	-	-	-	217,314
Long term borrowing	-	1,226	1,226	119,191	121,643
	<u>217,314</u>	<u>1,226</u>	<u>1,226</u>	<u>119,191</u>	<u>338,957</u>

**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 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 and long term borrowings carries variable rate of interest and margin trade receivable are at fixed rate of interest.

As on December 31, 2020, 50 basis point increase/(decrease) in Eibor results in an increase/(decrease) in interest expense by AED 554 thousand (2019: AED 1,087 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, 2020 would increase/(decrease) by AED 85 thousand (2019: AED 40 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 a 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, maturity dates of which are no less than five years.
3. Tertiary Capital (Tier 3): includes profits of trading portfolio of the brokerage firm and subordinated debt instruments, maturity dates which are not less than two years, after deduction of non-liquid assets.

**Notes to the financial statements**

December 31, 2020

**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 above mentioned circular. For operational risk, the Company uses basic indicator approach to calculate the capital requirement.

	<b>2020</b> <b>AED'000</b>	2019 AED'000
Tier 1 Capital	<b>148,656</b>	147,245
Tier 2 Capital (Note 12)	<b>99,988</b>	99,975
	<hr/>	<hr/>
Total capital	<b>248,644</b>	247,220
	<hr/>	<hr/>
<b>Capital requirement</b>		
Credit risk	<b>46,415</b>	75,259
Operational risk	<b>4,323</b>	4,807
	<hr/>	<hr/>
Total capital requirement	<b>50,738</b>	80,066
	<hr/>	<hr/>

**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 Coronavirus (Covid-19) outbreak and its impact**

The Covid-19 pandemic has caused an unprecedented human and health crisis. The measures necessary to contain the virus have triggered an economic downturn. The extent and duration of future impact remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as transmission rate of the coronavirus and the extent and effectiveness of containment action taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. These developments could impact the Company's future financial results, cash flows and financial condition. However, as at December 31, 2020 there is no adverse impact of Covid-19 on the Company.

**22 Approval of financial statements**

The financial statements were approved by the board and authorised for issue on February 22, 2021.