

ADCB Securities L.L.C.

Reports and financial statements for
the year ended December 31, 2022



Reports and financial statements
for the year ended December 31, 2022

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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, 2022.

Principal activities and nature of business

The principal activities of the Company include providing brokerage services pertaining to financial instruments and commodities & margin trading activities.

Financial results

The Company reported brokerage commission income for the year 2022 of AED 13,117 thousand (2021: AED 13,242 thousand).

Lending against margin trading increased from AED 285,784 thousand as at December 31, 2021 to AED 459,395 thousand as at December 31, 2022 reflecting an increase of 60%. Net interest income increased by 29% from AED 10,674 thousand in 2021 to AED 13,720 thousand in 2022, due to higher average outstanding margin of clients and increase in interest rates.

Total income increased by 12% from AED 23,916 thousand in 2021 to AED 26,864 thousand in 2022.

Total expenses of AED 17,391 thousand for 2022 reflect an increase of 3% over AED 16,869 thousand in 2021.

Net profit for the year was AED 9,473 thousand as compared to AED 7,047 thousand in 2021 reflecting an increase of 34% over 2021 due to increase in margin interest revenue.

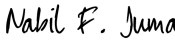
Total equity at the end of 2022 was AED 166,201 thousand (December 31, 2021: AED 157,928 thousand).

Directors

The directors who served during the year are:

Mr. Arup Mukhopadhyay (till 11 May 2022)	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

On behalf of the Board of Directors

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Nabil Juma
Director
Abu Dhabi



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Independent auditors' 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 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable requirements of Financial Statements Auditing Standards for the Subject Entities issued vide ADAA Chairman's Resolution No. (88) of 2021 in the United Arab Emirates (ADAA Auditing Standards). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical and independence requirements of United Arab Emirates 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 7 March 2022.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements and our auditors' report thereon ('the Report').

Our opinion on the financial statements does not cover the other information and we do not express 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, and the applicable provisions of Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance and applicable provisions of the laws and regulations 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.

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

Auditors' 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 auditors' 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 and ADAA Auditing Standards 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 and ADAA Auditing Standards, 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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

Report on Other Legal and Regulatory Requirements

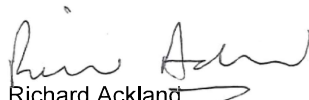
Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 December 2022

- 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 Decree Law No. 32 of 2021;
- 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 of the Company;
- v) as disclosed in note 6 to the financial statements, the Company has not purchased any shares during the year ended 31 December 2022;
- vi) note 16 to the financial statements discloses material related party transactions and the terms under which they were conducted; and
- 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 2022, any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2022.

Further, as required by the Abu Dhabi Accountability Authority's Chairman Resolution No.(88) of 2021 pertaining to Financial Statements Auditing Standards for the Subject Entities, we report that based on the procedures performed and information provided to us by management and those charged with governance, nothing has come to our attention that causes us to believe that the Company has not complied, in all material aspects, with any of the provisions of the following laws applicable to its activities, regulations and circulars as applicable, which would have a material impact on the financial statements as at 31 December 2022:

- i) Law No. (1) of 2017 (as amended) concerning the Financial System of the Government of Abu Dhabi and instructions issued by the Department of Finance pertaining to the preparation and implementation of the annual budget of Subject Entities;
- ii) its Articles of Association or Law of Establishment which would materially affect its activities or its financial position as at 31 December 2022; and
- iii) relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Company's financial statements.

KPMG Lower Gulf Limited

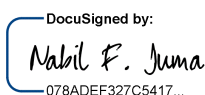


Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 07 March 2023

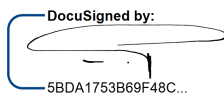
Statement of financial position

As at December 31, 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Property and equipment, net	5	761	1,076
Investment security	6	1,402	2,602
Total non-current assets		2,163	3,678
Current assets			
Trade and other receivables	7	15,299	21,884
Margin trade receivables	8	459,395	285,784
Cash and bank balances	9	10,184	9,967
Total current assets		484,878	317,635
Total assets		487,041	321,313
EQUITY AND LIABILITIES			
Equity			
Share capital	10	71,000	71,000
Legal reserve	11	12,513	11,565
Revaluation reserve of investment designated at FVTOCI		538	1,738
Retained earnings		82,150	73,625
Total equity		166,201	157,928
Liabilities			
Non-current liabilities			
Long term borrowing	12	100,000	100,000
Provision for employees' end of service benefit	13	4,034	3,740
Total non-current liabilities		104,034	103,740
Current liabilities			
Trade and other payables	14	18,231	24,907
Due to Parent Company	16	894	876
Bank overdraft	9	197,681	33,862
Total current liabilities		216,806	59,645
Total liabilities		320,840	163,385
Total equity and liabilities		487,041	321,313

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Nabil Juma
Director

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Hassan Salem Al Hossani
General Manager

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Deepak Khullar
Group Chief Financial Officer

The accompanying notes 1 to 20 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

For the year ended December 31, 2022

	Notes	2022 AED'000	2021 AED'000
Income			
Brokerage commission		13,117	13,242
Interest income		20,053	12,364
Interest expense	15	(6,333)	(1,690)
Net interest income		13,720	10,674
Other income		27	-
		26,864	23,916
Expenses			
Staff expenses		(13,568)	(13,165)
Depreciation	5	(344)	(376)
Other operating expenses		(3,479)	(3,328)
		(17,391)	(16,869)
Profit for the year		9,473	7,047
Other comprehensive (loss)/income			
<i>Item that may not be re-classified subsequently to profit or loss</i>			
Fair value changes of equity instrument designated at FVTOCI	6	(1,200)	1,750
Total comprehensive income for the year		8,273	8,797

The accompanying notes 1 to 20 are an integral part of these financial statements.

ADCB Securities L.L.C.

Statement of changes in equity

For the year ended December 31, 2022

	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
Balance as at January 1, 2022		71,000	11,565	1,738	73,625	157,928
Profit for the year		-	-	-	9,473	9,473
Fair value changes of equity instrument designated at FVTOCI	6	-	-	(1,200)	-	(1,200)
Total comprehensive income for the year		-	-	(1,200)	9,473	8,273
Transfer to legal reserve	11	-	948	-	(948)	-
Balance as at December 31, 2022		71,000	12,513	538	82,150	166,201
Balance at January 1, 2021		71,000	10,860	(12)	67,283	149,131
Profit for the year		-	-	-	7,047	7,047
Fair value changes of equity instrument designated at FVTOCI	6	-	-	1,750	-	1,750
Total comprehensive income for the year		-	-	1,750	7,047	8,797
Transfer to legal reserve	11	-	705	-	(705)	-
Balance as at December 31, 2021		71,000	11,565	1,738	73,625	157,928

The accompanying notes 1 to 20 are an integral part of these financial statements.

Statement of cash flows

For the year ended December 31, 2022

	Notes	2022 AED'000	2021 AED'000
Operating activities			
Profit for the year		9,473	7,047
Adjustment for:			
Depreciation on property and equipment	5	344	376
Employees' end of service benefit charge	13	323	367
		<u>10,140</u>	<u>7,790</u>
Movements in working capital			
Decrease in trade and other receivables		6,585	1,738
Increase in margin trade receivables		(173,611)	(26,673)
Net movement in due to Parent Company *		18	(3,050)
Decrease in trade and other payables		(6,676)	(1,485)
Payment of end of service benefits	13	(29)	(45)
		<u>(163,573)</u>	<u>(21,725)</u>
Net cash used in operating activities			
Investment activity			
Purchase of property and equipment		(29)	(1,077)
		<u>(29)</u>	<u>(1,077)</u>
Net cash used in investing activity			
		<u>(29)</u>	<u>(1,077)</u>
Net decrease in cash and cash equivalents		<u>(163,602)</u>	<u>(22,802)</u>
Cash and cash equivalents at beginning of the year		<u>(23,895)</u>	<u>(1,093)</u>
Cash and cash equivalents at end of the year	9	<u><u>(187,497)</u></u>	<u><u>(23,895)</u></u>
*Non-cash transactions			
Transfer of employees' end of service benefit	13	-	(79)

The accompanying notes 1 to 20 are an integral part of these financial statements.

Notes to the financial statements

December 31, 2022

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 PJSC (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 margin trading activity.

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

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

During the current year, the Company has applied the amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS Standards 2018–2020 issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after January 1, 2022. 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.

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2022.

Standards and Interpretations in issue but not yet effective

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 the 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, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) which require that an entity disclose its material accounting policies, instead of its significant accounting policies.	January 1, 2023
The IASB issued ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)’ that clarifies how companies account for deferred tax on transactions such as leases and decommissioning obligations.	January 1, 2023
The amendments replace the definition of Accounting Estimates (Amendments to IAS 8) - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.	January 1, 2023

Notes to the financial statements

December 31, 2022

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
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) - The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) - The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024

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

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 requirements of the applicable laws including UAE Federal Decree Law No. 32 of 2021 which came into effect on January 2, 2022 replacing the UAE Federal Law No. 2 of 2015 (as amended) and the applicable provisions of Law No. (1) of 2017 (as amended) issued by the Department of Finance. 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.

3.3 Functional and presentation currency

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

3.4 Use of estimates and judgements

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

3 Summary of significant accounting policies (continued)**3.4 Use of estimates and judgements (continued)**

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

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

3.5 Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the reporting date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates or year-end exchange rates if held at fair value, as appropriate. The resulting foreign exchange gains or losses are recognised in either 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 trade date basis i.e. the date on which company becomes party to contractual provisions of the instrument. On initial recognition, the financial assets are measured at fair value plus transaction costs, except for those financial assets classified as at FVTPL. 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:
 - 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).

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

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

Impairment

The Company recognizes loss allowances for expected credit losses on margin trade receivables considering probability of default and loss given default after taking into account the collateral held.

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:
 - 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.

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

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 'cash and bank balances' and 'bank overdraft' and are carried at amortised cost net of impairment allowance in the statement of financial position.

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 Summary of significant accounting policies (continued)**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.

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 Summary of significant accounting policies (continued)**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.

(i) 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.

(ii) 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)**3.17 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.

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.

3.18 Taxation

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

A rate of 9% will apply to taxable income exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance), a rate of 0% will apply to taxable income not exceeding this threshold. In addition, there are several other decisions that are yet to be finalized by way of a Cabinet Decision that are significant in order for entities to determine their tax status and taxable income. Therefore, pending such important decisions, the Company has considered that the Law, as it currently stands, is not substantively enacted as at December 31, 2022 from the perspective of IAS 12 – Income Taxes. The Company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Company is currently in the process of assessing the possible impact on the financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

4 Significant accounting judgments, estimates and assumptions

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

Key sources of estimation uncertainty

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:

Notes to the financial statements

December 31, 2022

4 Significant accounting judgments, estimates and assumptions (continued)
Calculation of loss allowance

The Company recognizes loss allowances for expected credit losses on margin lending considering probability of default and loss given default after taking into account the collaterals held. ECLs are measured through a loss allowance at an amount equal to 12-month ECL that result from default events on margin lending that are expected within 12 months of the reporting date (Stage 1) and full lifetime ECL that result from all possible default events over the life of margin lending (Stage 2 or 3).

Margin lending is fully collateralised with right to liquidate collaterals when margins are below threshold. As such, these assets remained in Stage 1 and there were no transfer of assets to stage 2. Further, due to collateral coverage (more than 100%), the ECL calculated on these assets were AED nil for the year ended December 31, 2022.

5 Property and equipment, net

	Leasehold improvement AED'000	Computer, software and office equipment AED'000	Furniture and fixtures AED'000	Total AED'000
Cost				
As at January 1, 2021	6,290	9,483	2,584	18,357
Additions	855	70	152	1,077
	<hr/>	<hr/>	<hr/>	<hr/>
As at January 1, 2022	7,145	9,553	2,736	19,434
Additions	29	-	-	29
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2022	7,174	9,553	2,736	19,463
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
As at January 1, 2021	6,290	9,108	2,584	17,982
Charge for the year	53	313	10	376
	<hr/>	<hr/>	<hr/>	<hr/>
As at January 1, 2022	6,343	9,421	2,594	18,358
Charge for the year	223	83	38	344
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2022	6,566	9,504	2,632	18,702
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount				
As at December 31, 2022	608	49	104	761
	<hr/>	<hr/>	<hr/>	<hr/>
As at December 31, 2021	802	132	142	1,076
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements

December 31, 2022

6 Investment security

	2022	2021
	AED'000	AED'000
Investment in equity instrument designated as at FVTOCI		
Quoted :		
Balance as at January 1	2,602	852
Change in fair value	(1,200)	1,750
	<hr/>	<hr/>
Balance as at December 31	1,402	2,602
	<hr/>	<hr/>

The above represents investment of 916,341 shares (December 31, 2021: 916,341 shares) in Dubai Financial Market P.J.S.C.

7 Trade and other receivables

	2022	2021
	AED'000	AED'000
Trade receivables from customers	11,784	19,980
Receivables from exchanges	3,214	1,747
Other receivables	301	157
	<hr/>	<hr/>
	15,299	21,884
	<hr/>	<hr/>

Trade receivables

The credit period for trade receivables and receivable from exchanges are two days (trade date plus two working days). The Company has an obligation to pay these amounts to the eventual recipient, 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.

	2022	2021
	AED'000	AED'000
Margin trade receivables	459,395	285,784
	<hr/>	<hr/>

The fair value of securities held as collateral against margin trade receivables amounts to AED 1,103,143 thousand as at December 31, 2022 (December 31, 2021: AED 788,448 thousand).

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

Notes to the financial statements

December 31, 2022

9 Cash and cash equivalents

	2022 AED'000	2021 AED'000
Cash	29	5
Call and current accounts	10,155	9,962
Cash and bank balances	10,184	9,967
Bank overdraft	(197,681)	(33,862)
Cash and cash equivalents	(187,497)	(23,895)

10 Share capital

	Authorised		Issued and fully paid	
	2022	2021	2022	2021
	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 Decree Law No. (32) of 2021 [as amended] 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

	2022 AED'000	2021 AED'000
Balance as at January 1	3,740	3,497
Charge for the year	323	367
Transfer out during the year (Note 16)	-	(79)
Payment during the year	(29)	(45)
Balance as at December 31	4,034	3,740

Notes to the financial statements

December 31, 2022

14 Trade and other payables

	2022 AED'000	2021 AED'000
Trade payables to customers	12,109	20,327
Payable to exchanges	2,865	1,350
Other payables	3,257	3,230
	<hr/> 18,231 <hr/>	<hr/> 24,907 <hr/>

The settlement date of trade payable to customer and exchanges are two working days (trade date plus two working days).

15 Interest expense

	2022 AED'000	2021 AED'000
Long term borrowing	2,913	1,573
Bank overdraft	3,420	117
	<hr/> 6,333 <hr/>	<hr/> 1,690 <hr/>

16 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.

One Hundred and Fourteenth Investment Company – Sole Proprietorship LLC (100% owned subsidiary of Mubadala Investment Company) is Parent Company of ADCB. The Government of Abu Dhabi owns 100% of Mubadala Investment Company and so the ultimate controlling party is the Government of Abu Dhabi.

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 executive officer and its direct reports and the company's directors and general manager.

Notes to the financial statements

December 31, 2022

16 Transactions and balances with related parties (continued)

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:

	Ultimate controlling party and its related entities AED'000	Parent Company and its related entities AED'000	Directors and key management personnel of the Company AED'000
Balances :			
As at December 31, 2022			
Margin trade receivables	-	5,603	650
Bank balances with Parent Company:			
Current account	5	8,196	-
Bank overdraft	-	(197,681)	-
Due to Parent Company ¹	-	(894)	-
Long term borrowing	-	(100,000)	-
Other payable - interest payable	-	(14)	-
As at December 31, 2021			
Margin trade receivables	-	1,461	342
Bank balances with Parent Company:			
Current account	-	8,270	-
Bank overdraft	-	(33,862)	-
Due to Parent Company ¹	-	(876)	-
Long term borrowing	-	(100,000)	-
Other payable - interest payable	-	(8)	-
Transactions:			
Year ended December 31, 2022			
Brokerage commission	54	389	30
Interest income	-	498	22
Interest expense	-	(6,333)	-
Commission expense on bank guarantee ²	-	(215)	-
Staff expenses (note 17)	-	(64)	-
Year ended December 31, 2021			
Brokerage commission	-	914	19
Interest income	-	69	44
Interest expense	-	(1,690)	-
Commission expense on bank guarantee ²	-	(216)	-
Rent expense	-	-	-

¹ Net of AED nil thousand (December 31, 2021: AED 79 thousand) transfer out of employees end of service benefit.

² For bank guarantees issued by the Parent Company refer note 18.

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, 2022

16 Transactions and balances with related parties (continued)

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

	2022	2021
	AED'000	AED'000
Short term benefits	1,432	1,408
Post-employment benefits	184	176
Variable pay benefits	283	222
	1,899	1,806

In addition to the above, the key management personnel were granted long term deferred compensation of AED 126 thousand (2021: AED 85.7 thousand).

17 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 64 thousand (2021: AED nil) has been recognised as staff expense with a corresponding increase in payable to the Parent company.

As at December 31, 2022, the incentive plan declared by the Parent Company pertaining to the employees of the Company is as follows:

Grant date	January 1 2022	January 1 2022
Number of shares granted	20,000	7,394
Fair value of the granted shares at the grant date in AED thousand	171	63
Final vesting date	December 31 2025	December 31 2024

Vesting conditions – In service from the grant date till respective vesting date or meeting special conditions during the vesting period (death or disability).

18 Commitments and contingent liabilities

	2022	2021
	AED'000	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.

19 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, 2022

19 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.

19.1 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.

19.2 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.

	0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	Over 180 days AED'000	Total AED'000
December 31, 2022					
Property and equipment, net	-	-	-	761	761
Investment security	-	-	-	1,402	1,402
Trade and other receivables	15,299	-	-	-	15,299
Margin trade receivables	459,395	-	-	-	459,395
Cash and bank balances	10,184	-	-	-	10,184
	484,878	-	-	2,163	487,041
Long term borrowing	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	4,034	4,034
Trade and other payables	18,231	-	-	-	18,231
Due to Parent Company	894	-	-	-	894
Bank overdraft	197,681	-	-	-	197,681
Equity	-	-	-	166,201	166,201
	216,806	-	-	270,235	487,041
Liquidity gap	268,072	-	-	(268,072)	-

Notes to the financial statements

December 31, 2022

19 Risk management (continued)
19.2 Liquidity risk (continued)

	0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	Over 180 days AED'000	Total AED'000
December 31, 2021					
Property and equipment, net	-	-	-	1,076	1,076
Investment security	-	-	-	2,602	2,602
Trade and other receivables	21,884	-	-	-	21,884
Margin trade receivables	285,784	-	-	-	285,784
Cash and bank balances	9,967	-	-	-	9,967
	<u>317,635</u>	<u>-</u>	<u>-</u>	<u>3,678</u>	<u>321,313</u>
Long term borrowing	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	3,740	3,740
Trade and other payables	24,907	-	-	-	24,907
Due to Parent Company	876	-	-	-	876
Bank overdraft	33,862	-	-	-	33,862
Equity	-	-	-	157,928	157,928
	<u>59,645</u>	<u>-</u>	<u>-</u>	<u>261,668</u>	<u>321,313</u>
Liquidity gap	<u>257,990</u>	<u>-</u>	<u>-</u>	<u>(257,990)</u>	<u>-</u>

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

	0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	Over 180 days AED'000	Total AED'000
December 31, 2022					
Bank overdraft	197,681	-	-	-	197,681
Long term borrowing	-	1,264	1,278	104,566	107,108
	<u>197,681</u>	<u>1,264</u>	<u>1,278</u>	<u>104,566</u>	<u>304,789</u>
December 31, 2021					
Bank overdraft	33,862	-	-	-	33,862
Long term borrowing	-	360	364	102,760	103,484
	<u>33,862</u>	<u>360</u>	<u>364</u>	<u>102,760</u>	<u>137,346</u>

19.3 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.

19 Risk management (continued)**19.3 Market risk (continued)****19.3.1 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.

19.3.2 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, 2022, 50 basis point increase/(decrease) in Eibor results in an increase/(decrease) in interest expense by AED 1,488 thousand (2021: AED 669 thousand)

19.3.3 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, 2022 would increase/(decrease) by AED 140 thousand (2021: AED 260 thousand).

19.4 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.

19.5 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, 2022

19 Risk management (continued)**19.5 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.

	2022	2021
	AED'000	AED'000
Tier 1 Capital	164,107	152,051
Tier 2 Capital	100,538	101,738
	<hr/>	<hr/>
Total capital	264,645	253,789
	<hr/>	<hr/>
Capital requirement		
Credit risk	74,888	50,498
Operational risk	4,217	4,559
	<hr/>	<hr/>
Total capital requirement	79,105	55,057
	<hr/>	<hr/>

19.6 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 security is carried at fair value using the quoted price (unadjusted) in active market. It is 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.

20 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on February 28, 2023.