

ADCB Securities L.L.C.

Reports and financial statements for
the year ended December 31, 2024



ADCB Securities L.L.C.

Reports and financial statements
for the year ended December 31, 2024

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ADCB Securities L.L.C.

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, 2024.

Principal activities and nature of business

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

Financial results

The Company reported brokerage commission income for the year ended December 31, 2024 of AED 13,828 thousand (2023: AED 11,151 thousand).

Lending against margin trading increased from AED 584,940 thousand as at December 31, 2023 to AED 597,455 thousand as at December 31, 2024 reflecting an increase of 2%.

Interest income from margin lending increased by 21% from AED 31,065 thousand in 2023 to AED 37,587 thousand in 2024 due to higher average outstanding margin of clients. Interest expenses increased by 17% from AED 18,163 thousand in 2023 to AED 21,314 thousand in 2024, due to increase in interest rate and overdraft usage.

Total operating income increased by 25% from AED 24,068 thousand in 2023 to AED 30,133 thousand in 2024.

Total expenses of AED 17,751 thousand for 2024 against AED 17,348 thousand in 2023.

Profit before tax for the year was AED 12,382 thousand as compared to AED 6,720 thousand in 2023 reflecting an increase of 84% over 2023 due to higher commission and net interest income.

Total equity as at December 31, 2024 was AED 184,169 thousand (December 31, 2023: AED 172,793 thousand).

Corporate tax

The UAE introduced a corporate tax rule effective June 1, 2023, applying a 9% tax on taxable profits exceeding AED 375,000. The Company being part of ADCB Tax Group is not entitled for tax free exemption of AED 375,000. Accordingly, during the year, the Company has recognised, income tax charge of AED 1,114 thousand (2023: AED nil) in income statement.

Appointment of auditors

The Chairman proposed the re-appointment of Deloitte & Touche (M.E.) as the external auditor of the Company for the year ending 31 December 2025.

Directors

The directors who served during the year are:

Mr. Kevin Taylor	Chairman
Mr. Al Sadig Muatasam Abdul Rahman Al Magboul	Director
Mr. Nabil F. A. Juma	Director
Mr. Ahmad Maher Al Hakim	Director
Mr. Khalid Al Menthari	Director
Mr. Ahmad Al Rayes	Director

On behalf of the Board of Directors

.....
Digitally signed by
Nabil F. Juma

Nabil Juma
Director
Abu Dhabi

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER 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 2024, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority (ADAA) Chairman Resolution No. 88 of 2021 Regarding Financial Statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF ADCB SECURITIES L.L.C.
(CONTINUED)**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on brokerage commission and interest income	
<p>The Company generated revenue of AED 51.4 million for the year ended 31 December 2024.</p> <p>Revenue is a key performance indicator and therefore an internal and external stakeholders' focus.</p> <p>The revenue arises from the following two different major sources:</p> <p>Brokerage commission:</p> <p>The Company generated brokerage commission income of AED 13.8 million for the year ended 31 December 2024. Commission income from brokerage services with regards to services is recognized when the related trade has been settled.. Due to the number of transactions that occur close to year-end, there is risk of revenue being recognised in an incorrect period.</p> <p>Interest income:</p> <p>The Company generated interest income of AED 37.6 million for the year ended 31 December 2024. Interest income from margin trading , for the finance provided to customers, is a percentage of the market value of securities and is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. There is risk that the input data used to determine the interest income is not up to date resulting in incorrect interest income being recognised.</p> <p>Revenue recognition was considered to be a key audit matter due to inherent risk and the quantitative significant of the amount in the financial statements.</p> <p>For further information on the accounting policies relating to the recognition of interest income refer to Note 3.17 to the financial statements.</p>	<p>We performed the following procedures, in relation to this matter:</p> <ul style="list-style-type: none"> - we obtained understanding of the revenue recognition process and identified the relevant controls within this process; - we assessed these controls to determine if they had been appropriately designed and implemented; - we performed analytical procedures on the revenue recognized by recalculating the brokerage commission based on the level of activity during the year and the relevant rates and comparing the resultant amount to the amount reported in the financial statements; - on a sample basis, for interest income, we agreed the interest rates on the system database to the original agreements; - on a sample basis, we recalculated brokerage commission and interest income and agreed the results to the accounting records; - on a sample basis, we determined if brokerage commission transactions are recorded in the correct period; and - we assessed the disclosure in the financial statements relating to this matter against the requirements of IFRS Accounting Standards.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF ADCB SECURITIES L.L.C.
(CONTINUED)**

Other Matter

The financial statements of the Company for the year ended 31 December 2023, were audited by another auditor who expressed an unmodified opinion on those statements on 29 February 2024.

Other Information

The Board of Directors is responsible for the other information. The other information comprises Directors' Report, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Accounting Standards as issued by the IASB and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF ADCB SECURITIES L.L.C.
(CONTINUED)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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; and
- 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, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF ADCB SECURITIES L.L.C. (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2024 that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The financial statements of the Company have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the Company's books of account;
- Note 1 to the financial statements of the Company discloses the Company's investment in shares during the year ended 31 December 2024;
- Note 16 to the financial statements of the Company discloses material related party transactions and the terms under which these were conducted and principles of managing conflict of interest; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024.

Pursuant to the requirements of Article 5 of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 regarding the examination of internal controls over financial reporting, we have not been engaged to perform an assurance engagement to provide a reasonable assurance on the effectiveness of internal controls over financial reporting on the financial statements of the Company.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 regarding financial statements audit standards for the Subject Entities, we report, in connection with our audit of the financial statements for the year ended 31 December 2024, that 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 2024:

- Articles of Association of the Company which would materially affect its activities or its financial position as at 31 December 2024; and
- relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Company's financial statements.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
19 March 2025
Abu Dhabi
United Arab Emirates

ADCB Securities L.L.C.

Statement of financial position

As at December 31, 2024

	Notes	2024 AED'000	2023 AED'000
ASSETS			
Non-current assets			
Property and equipment, net	5	207	484
Investment security	6	1,393	1,274
Total non-current assets		1,600	1,758
Current assets			
Trade and other receivables	7	75,872	41,298
Margin trade receivables	8	597,455	584,940
Due from Parent Company	16	798	-
Cash and bank balances	9	15,373	15,482
Total current assets		689,498	641,720
Total assets		691,098	643,478
EQUITY AND LIABILITIES			
Equity			
Share capital	10	71,000	71,000
Statutory reserve	11	14,312	13,185
Revaluation reserve of investment designated at FVTOCI		518	410
Retained earnings		98,339	88,198
Total equity		184,169	172,793
Liabilities			
Non-current liabilities			
Subordinated debt	12	100,000	-
Provision for employees' end of service benefit	13	3,999	3,828
Total non-current liabilities		103,999	3,828
Current liabilities			
Subordinated debt	12	-	100,000
Trade and other payables	14	80,355	44,373
Due to Parent Company	16	-	7,836
Bank overdraft	9	322,575	314,648
Total current liabilities		402,930	466,857
Total liabilities		506,929	470,685
Total equity and liabilities		691,098	643,478

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Nabil F. Juma
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Nabil Juma
Director

DocuSigned by:
Hassan Salem Al Hossani
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Hassan Salem Al Hossani
General Manager

DocuSigned by:
Deepak Khullar
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Deepak Khullar
Group Chief Financial Officer

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

ADCB Securities L.L.C.

Statement of profit or loss and other comprehensive income

For the year ended December 31, 2024

	Notes	2024 AED'000	2023 AED'000
Income			
Brokerage commission		13,828	11,151
Interest income	8	37,587	31,065
Interest expense	15	(21,314)	(18,163)
Net interest income		16,273	12,902
Other income		32	15
Total operating income		30,133	24,068
Expenses			
Staff expenses		(13,123)	(13,381)
Depreciation	5	(277)	(277)
Other operating expenses		(4,351)	(3,690)
Total expenses		(17,751)	(17,348)
Profit before tax		12,382	6,720
Income tax charge	20	(1,114)	-
Profit for the year		11,268	6,720
Other comprehensive income			
<i>Item that will not be re-classified subsequently to profit or loss</i>			
Fair value changes of equity instrument designated at FVTOCI	6	108	(128)
(net of tax) (Note 20)			
Total comprehensive income for the year		11,376	6,592

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, 2024

	Notes	Share capital AED'000	Statutory 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, 2024		71,000	13,185	410	88,198	172,793
Profit for the year		-	-	-	11,268	11,268
Fair value changes of equity instrument designated at FVTOCI	6	-	-	119	-	119
Related tax impact on equity instrument designated at FVTOCI	20	-	-	(11)	-	(11)
Total comprehensive income for the year				108	11,268	11,376
Transfer to statutory reserve	11	-	1,127	-	(1,127)	-
Balance as at December 31, 2024		71,000	14,312	518	98,339	184,169
Balance at January 1, 2023		71,000	12,513	538	82,150	166,201
Profit for the year		-	-	-	6,720	6,720
Fair value changes of equity instrument designated at FVTOCI	6	-	-	(128)	-	(128)
Total comprehensive income for the year				(128)	6,720	6,592
Transfer to statutory reserve	11	-	672	-	(672)	-
Balance as at December 31, 2023		71,000	13,185	410	88,198	172,793

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

ADCB Securities L.L.C.

Statement of cash flows

For the year ended December 31, 2024

	Notes	2024 AED'000	2023 AED'000
Operating activities			
Profit before tax		12,382	6,720
Adjustment for:			
Depreciation on property and equipment	5	277	277
Employees' end of service benefit charge	13	284	338
		<u>12,943</u>	<u>7,335</u>
Movements in working capital			
Increase in trade and other receivables		(34,574)	(25,999)
Increase in margin trade receivables		(12,515)	(125,545)
Net movement in due to Parent Company (*)		(8,747)	6,398
Increase in trade and other payables		34,857	26,142
		<u>(8,036)</u>	<u>(111,669)</u>
Net cash used in operating activities			
Financing activities			
Repayment of borrowing		(100,000)	-
Proceeds from borrowing		100,000	-
		<u>-</u>	<u>-</u>
Net cash used in financing activity			
		<u>(8,036)</u>	<u>(111,669)</u>
Net decrease in cash and cash equivalents			
		<u>(299,166)</u>	<u>(187,497)</u>
Cash and cash equivalents at beginning of the year		(299,166)	(187,497)
Cash and cash equivalents at end of the year	9	<u>(307,202)</u>	<u>(299,166)</u>
*Non-cash transactions			
Transfer of employees' end of service benefit	13	(113)	(544)

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

ADCB Securities L.L.C.

Notes to the financial statements

For the year ended December 31, 2024

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 IFRS as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards)

2.1 Standard and Interpretations in issue and effective

During the current year, the Company has applied the amendments to IAS 1, IAS 7, IFRS 7 and IFRS 16. The application of these amendments to IFRS Accounting Standards has not had any material impact on the amounts reported for the current and prior year but may affect the accounting for the Company's future transactions or arrangements.

Other than the above, there are no other significant IFRS Accounting Standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2024.

2.2 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
Lack of Exchangeability (amendments to IAS 21) - The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	January 1, 2025
Amendments to IFRS 9 and IFRS 7 - The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9.	January 1, 2026
IFRS 19 'Subsidiaries without Public Accountability' specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	January 1, 2027
Presentation and disclosures in financial statements (IFRS 18) - The new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	January 1, 2027

2 Application of new and revised IFRS as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards) (continued)

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

The Company has not early adopted any new and revised IFRS Accounting Standards that have been issued but are not yet effective. Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

3 Summary of material accounting policies

3.1 Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and requirements of the applicable laws. IFRSs comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

3.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for investment designated at FVTOCI, which are measured at fair value.

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 Summary of material accounting policies (continued)

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 initially 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).

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.

3 Summary of material accounting policies (continued)

3.6 Financial assets (continued)

Definition of default

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

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

- the borrower is unlikely to pay its credit obligations to the Company in full.

Write-offs

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

3.7 Financial 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.

3 Summary of material accounting policies (continued)

3.7 Financial liabilities and equity (continued)

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.

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.

3 Summary of material accounting policies (continued)

3.9 Offsetting of financial assets and liabilities (continued)

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.

3.12 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 Summary of material accounting policies (continued)

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.

3.15 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.

3 Summary of material accounting policies (continued)

3.16 Provision for employees' end of service benefits (continued)

(i) Employees' end of service benefits (continued)

(b) Defined contribution plan

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

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

3.17 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 Summary of material accounting policies (continued)

3.18 Taxation

Income tax expense comprises current and deferred tax.

Current tax expense (or benefit) is the tax payable (or receivable) on the current year's taxable income calculated using tax rates (and laws) enacted or substantively enacted by the end of the reporting period in each jurisdiction, adjusted for changes in deferred tax assets and liabilities. Current tax expense is recognised in the income statement except when the tax relates to items directly recognised in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity respectively.

Tax provisions are recognised for uncertain tax positions when it is probable that there will be a future outflow of funds to a tax authority, measured at the best estimate of the amount expected to become payable.

Deferred tax is recognised using the liability method on temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their tax bases. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted as at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill and temporary differences arising from the initial recognition of assets and liabilities in transactions that do not affect taxable or accounting profit. Deferred tax assets are only recognised for temporary differences to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and adjusted to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax relating to items recognised in other comprehensive income or equity are recognised in other comprehensive income or directly in equity respectively. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

4 Critical accounting judgments and key source of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of these financial statements. IFRS Accounting Standards 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

There are no key assumptions concerning the future and other key sources of estimation of uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

ADCB Securities L.L.C.

Notes to the financial statements

For the year ended December 31, 2024

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, 2023	7,174	9,553	2,736	19,463
Additions	-	-	-	-
As at January 1, 2024	7,174	9,553	2,736	19,463
Additions	-	-	-	-
As at December 31, 2024	7,174	9,553	2,736	19,463
Accumulated depreciation				
As at January 1, 2023	6,566	9,504	2,632	18,702
Charge for the year	221	18	38	277
As at January 1, 2024	6,787	9,522	2,670	18,979
Charge for the year	221	18	38	277
As at December 31, 2024	7,008	9,540	2,708	19,256
Carrying amount				
As at December 31, 2024	166	13	28	207
As at December 31, 2023	387	31	66	484

6 Investment security

	2024 AED'000	2023 AED'000
Investment in equity instrument designated as at FVTOCI		
Quoted :		
Balance as at January 1	1,274	1,402
Change in fair value	119	(128)
Balance as at December 31	1,393	1,274

The above represents investment of 916,341 shares (December 31, 2023: 916,341 shares) in Dubai Financial Market P.J.S.C.

ADCB Securities L.L.C.**Notes to the financial statements**

For the year ended December 31, 2024

7 Trade and other receivables

	2024 AED'000	2023 AED'000
Trade receivables from customers	28,088	28,809
Receivables from exchanges	47,223	11,992
Other receivables	561	497
	<u>75,872</u>	<u>41,298</u>

Trade receivables from customers and exchanges

The credit period for trade receivables from customer 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 carrying value of trade and other receivables approximates their fair value.

8 Margin trade receivables

The Company has obtained the license from Securities and 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.

	2024 AED'000	2023 AED'000
Margin trade receivables	<u>597,455</u>	<u>584,940</u>

The fair value of securities held as collateral against margin trade receivables amounts to AED 1,303,728 thousand as at December 31, 2024 (December 31, 2023: AED 1,220,828 thousand).

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

9 Cash and cash equivalents

	2024 AED'000	2023 AED'000
Cash	35	24
Call and current accounts	<u>15,338</u>	<u>15,158</u>
Cash and bank balances	15,373	15,482
Bank overdraft (Note 16)	<u>(322,575)</u>	<u>(314,648)</u>
Cash and cash equivalents	(307,202)	(299,166)

ADCB Securities L.L.C.**Notes to the financial statements**

For the year ended December 31, 2024

10 Share capital

	Authorised		Issued and fully paid	
	2024	2023	2024	2023
	AED'000	AED'000	AED'000	AED'000
Ordinary shares of AED 1,000 each	141,000	141,000	71,000	71,000

11 Statutory reserve

In accordance with the UAE Federal Decree Law No. (32) of 2021, the Company is required to apportion 5% of the annual net profit to statutory reserve until the reserve equals 50% of the paid up capital. However as per Company's Articles of Association, the Company has appropriated 10% of the annual net profits.

12 Subordinated debt

The Company borrowed subordinated long term debt on May 20, 2019 from its Parent Company for a period of 5 years. During the year, the subordinated long-term debt matured and repaid and was renewed for a period of 5 years on May 20, 2024 with same terms and conditions. The interest rate on this subordinated long-term debt is 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. 13/Chairman of 2021 dated February 22, 2021, concerning criteria for capital adequacy of brokerage firms.

13 Provision for employees' end of service benefit

	2024	2023
	AED'000	AED'000
Balance as at January 1	3,828	4,034
Charge for the year	284	338
Transfer out during the year (Note 16)	(113)	(544)
Balance as at December 31	3,999	3,828

14 Trade and other payables

	2024	2023
	AED'000	AED'000
Trade payables to customers	75,182	39,560
Payable to exchanges	-	1,155
Income tax provision	1,125	-
Other payables	4,048	3,658
	80,355	44,373

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

ADCB Securities L.L.C.**Notes to the financial statements**

For the year ended December 31, 2024

15 Interest expense

	2024 AED'000	2023 AED'000
Subordinated debt (Note 16)	6,202	5,988
Bank overdraft (Note 16)	15,112	12,175
	<u>21,314</u>	<u>18,163</u>

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 agreed upon interest and commission rates.

Mubadala Investment Company is the Parent Company of ADCB, holding majority of issued and fully paid-up share capital of ADCB through its wholly owned subsidiaries. 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.

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	Key management personnel of the Company AED'000
Balances :			
As at December 31, 2024			
Margin trade receivables	-	4,038	490
Bank balances with Parent Company:			
Current account	3	9,419	-
Bank overdraft	-	(322,575)	-
Due from Parent Company ¹	-	798	-
Subordinated debt	-	(100,000)	-
Other payable - interest payable	-	(15)	-
As at December 31, 2023			
Margin trade receivables	-	3,789	1,039
Bank balances with Parent Company:			
Current account	1	9,172	-
Bank overdraft	-	(314,648)	-
Due to Parent Company ¹	-	7,836	-
Subordinated debt	-	(100,000)	-
Other payable - interest payable	-	(36)	-
Transactions:			
Year ended December 31, 2024			
Brokerage commission	-	108	73
Interest income	-	249	64
Interest expense	-	(21,314)	-
Commission expense on bank guarantee ²	-	(216)	-
Staff expenses	-	(384)	-
Rent	-	(742)	-
Year ended December 31, 2023			
Brokerage commission	508	245	38
Interest income	-	234	43
Interest expense	-	(18,163)	-
Commission expense on bank guarantee ²	-	(215)	-
Staff expenses	-	(351)	-
Rent	-	(742)	-

¹ Net of AED 113 thousand (December 31, 2023: AED 544 thousand) transfer 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.

16 Transactions and balances with related parties (continued)

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

	2024 AED'000	2023 AED'000
Short term benefits	1,413	1,441
Post-employment benefits	184	184
Variable pay benefits	500	385
	<u>2,097</u>	<u>2,010</u>

In addition to the above, the senior management personnel were granted long term deferred compensation of AED 214 thousand (2023: AED 165 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 162 thousand (2023: AED 150 thousand) has been recognised as staff expense with a corresponding increase in payable to the Parent Company.

As at December 31, 2024, the incentive plan declared by the Parent Company pertaining to the employees of the Company is as follows:

Grant date	January 1 2024	January 1 2023	January 1 2022
Number of shares granted	11,918	38,000	20,000
Fair value of the granted shares at the grant date in AED thousand	100	344	171
Final vesting date	December 31 2027	December 31 2026	December 31 2025

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

	2024 AED'000	2023 AED'000
Bank guarantees	<u>355,000</u>	<u>355,000</u>

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.

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 from customers and stock markets (which are short term in nature T+2). 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, 2024 (2023 – AED nil).

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	No maturity or over 180 days AED'000	Total AED'000
December 31, 2024					
Property and equipment, net	-	-	-	207	207
Investment security	-	-	-	1,393	1,393
Trade and other receivables	75,872	-	-	-	75,872
Margin trade receivables	597,455	-	-	-	597,455
Due from Parent Company	798	-	-	-	798
Cash and bank balances	15,373	-	-	-	15,373
	<u>689,498</u>	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>691,098</u>
Subordinated debt	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	3,999	3,999
Trade and other payables	79,230	-	-	1,125	80,355
Bank overdraft	322,575	-	-	-	322,455
Equity	-	-	-	184,169	798
	<u>401,805</u>	<u>-</u>	<u>-</u>	<u>289,293</u>	<u>691,098</u>
Liquidity gap	<u>287,693</u>	<u>-</u>	<u>-</u>	<u>(287,693)</u>	

ADCB Securities L.L.C.

Notes to the financial statements

For the year ended December 31, 2024

19 Risk management (continued)

19.2 Liquidity risk (continued)

	0-30 days AED'000	31-90 days AED'000	91-180 days AED'000	No maturity or over 180 days AED'000	Total AED'000
December 31, 2024					
Property and equipment, net	-	-	-	484	484
Investment security	-	-	-	1,274	1,274
Trade and other receivables	41,298	-	-	-	41,298
Margin trade receivables	584,940	-	-	-	584,940
Cash and bank balances	15,482	-	-	-	15,482
	<u>641,720</u>	<u>-</u>	<u>-</u>	<u>1,758</u>	<u>643,478</u>
Subordinated debt	-	-	100,000	-	100,000
Provision for employees' end of service benefit	-	-	-	3,828	3,828
Trade and other payables	44,373	-	-	-	44,373
Due from Parent Company	7,836	-	-	-	7,836
Bank overdraft	314,648	-	-	-	314,648
Equity	-	-	-	172,793	172,793
	<u>366,857</u>	<u>-</u>	<u>100,000</u>	<u>176,621</u>	<u>691,098</u>
Liquidity gap	<u>274,863</u>	<u>-</u>	<u>(100,000)</u>	<u>(174,863)</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	Carrying amount Total AED'000
December 31, 2024						
Bank overdraft	322,575	-	-	-	322,575	322,575
Subordinated debt	-	1,380	1,395	116,180	118,955	100,000
	<u>314,648</u>	<u>1,380</u>	<u>1,395</u>	<u>116,180</u>	<u>441,530</u>	<u>422,575</u>
December 31, 2023						
Bank overdraft	314,648	-	-	-	314,648	314,648
Subordinated debt	-	1,640	100,901	-	102,541	100,000
	<u>314,648</u>	<u>1,640</u>	<u>100,901</u>	<u>-</u>	<u>417,189</u>	<u>414,648</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 Subordinated debts carries variable rate of interest and margin trade receivable are at fixed rate of interest.

As on December 31, 2024, 50 basis point increase/(decrease) in Eibor results in an increase/(decrease) in interest expense by AED 2,113 thousand (2023: AED 2,073 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, 2024 would increase/(decrease) by AED 139 thousand (2023: AED 127 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 (13/Chairman) of 2021. 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.

ADCB Securities L.L.C.**Notes to the financial statements**

For the year ended December 31, 2024

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.

	2024 AED'000	2023 AED'000
Tier 1 Capital	179,814	170,970
Tier 2 Capital	100,529	100,410
Total capital	280,343	271,380
Capital requirement		
Credit risk	93,904	92,156
Operational risk	4,337	4,348
Total capital requirement	98,241	96,504

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 Taxation

On December 9, 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after June 1, 2023. As the Company's accounting year ends on December 31, the first tax period is the period from January 1, 2024 to December 31, 2024, with the respective tax return to be filed on or before September 30, 2025.

Below is the summary of total income tax expense recognised in the statement of profit and loss

	2024 AED'000	2023 AED'000
Current tax expense		
Related to current year	1,114	-
Related to prior years	-	-
Total current tax expenses	1,114	-
Total income tax expense recognised in the statement of profit and loss	1,114	-

20 Taxation (continued)

In addition to the above, during the year, the Company recognised an income tax expense of AED 11 thousand in the statement of comprehensive income and changes in equity, respectively.

Tax expense is the tax payable on the current year's taxable profits based on the applicable tax rate in each jurisdiction, adjusted for any changes in deferred tax assets or liabilities. Tax expense is recognized in the Income Statement except when the tax relates to items directly recognized in Other Comprehensive Income, in which case it is recognized in Other Comprehensive Income.

There is no difference between accounting profit before tax and taxable profit for the year. The overall effective tax rate for the Company is 9% (2023: 0%).

Note on applicability of Pillar Two

The OECD has published GloBE Model Rules, which includes a minimum 15% tax rate by jurisdiction ("Pillar Two"). Various countries have enacted or intend to enact tax legislation to comply with Pillar Two rules. Pillar Two Legislation has not been substantively enacted at the reporting date where the Company and the Parent company, being Abu Dhabi Commercial Bank PJSC, is incorporated (the UAE).

The Parent Company has conducted an assessment of the potential exposure to Pillar Two income taxes had the rules been in effect in UAE during the current reporting period. Based on this assessment, the Parent Company does not expect the top-up tax to be considered material.

The Company is a Constituent Entity, and Abu Dhabi Commercial Bank PJSC is the Parent Company within the ADCB Group Multinational Enterprise. The Parent Company is continuing to assess the impact of the Pillar Two income tax legislation on the future financial performance of the Company.

The Parent Company has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

21 Remuneration to external auditors

Other operating expenses includes fees related to services rendered by external auditors amounting to AED 125 thousand (2023: AED 95 thousand) for statutory audit.

22 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on March 19, 2025.