

ADCB Securities L.L.C.

**Review report and condensed interim
financial information for the nine month
period ended September 30, 2022**



ADCB Securities L.L.C.

**Review report and condensed interim financial information
For the nine month period ended September 30, 2022**

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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Board of Directors of ADCB Securities L.L.C.

Introduction

We have reviewed the accompanying 30 September 2022 condensed interim financial information of ADCB Securities L.L.C. ("the Company"), which comprise:

- the condensed interim statement of financial position as at 30 September 2022;
- the condensed interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2022;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2022; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



ADCB Securities L.L.C.
Independent Auditors' Report on Review of
Condensed Interim Financial Information
30 September 2022

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2022 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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 07 March 2022. Furthermore, the condensed interim financial information of the Company as at and for the for the three-month and nine-month periods ended 30 September 2021 was reviewed by another auditor who expressed an unqualified conclusion on those condensed Interim financial information on 11 November 2021.

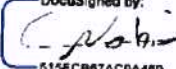
KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates

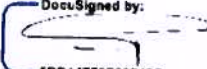
Date: 10 November 2022

ADCB Securities L.L.C.**Condensed interim statement of financial position
As at September 30, 2022**

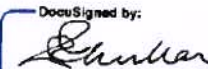
		As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
ASSETS	Notes		
Non-current assets			
Property and equipment, net		830	1,076
Investment security	3	1,411	2,602
Total non-current assets		2,241	3,678
Current assets			
Trade and other receivables	4	71,825	21,884
Margin trade receivables	5	391,138	285,784
Cash and bank balances	6	21,502	9,967
Total current assets		484,465	317,635
Total assets		486,706	321,313
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Legal reserve		11,565	11,565
Revaluation reserve of investment designated at FVTOCI		547	1,738
Retained earnings		81,541	73,625
Total equity		164,653	157,928
Liabilities			
Non-current liabilities			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,985	3,740
Total non-current liabilities		103,985	103,740
Current liabilities			
Trade and other payables	9	74,218	24,907
Due to Parent Company	10	10,245	876
Bank overdraft	6	133,605	33,862
Total current liabilities		218,068	59,645
Total liabilities		322,053	163,385
Total equity and liabilities		486,706	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 form an integral part of this condensed interim financial information.

ADCB Securities L.L.C.
Condensed interim statement of comprehensive income (unaudited)
For the nine month period ended September 30, 2022

	Notes	3 months ended September 30		9 months ended September 30	
		2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Income					
Brokerage commission		2,934	2,728	10,151	7,783
Interest income		5,463	3,227	13,731	8,917
Interest expense		(1,606)	(439)	(3,201)	(1,261)
Net interest income		3,857	2,788	10,530	7,656
Other income		-	-	27	-
		6,791	5,516	20,708	15,439
Expenses					
Staff expenses		(3,581)	(3,051)	(9,985)	(9,504)
Depreciation		(74)	(65)	(275)	(263)
Other operating expenses		(849)	(813)	(2,532)	(2,765)
		(4,504)	(3,929)	(12,792)	(12,532)
Profit for the period		2,287	1,587	7,916	2,907
Other comprehensive income/(loss)					
<i>Items that may not be re-classified subsequently to profit or loss</i>					
Fair value changes of equity instrument designated at FVTOCI	3	(110)	(110)	(1,191)	101
Total comprehensive income for the period		2,177	1,477	6,725	3,008

The accompanying notes form an integral part of this condensed interim financial information.

ADCB Securities L.L.C.

**Condensed interim statement of changes in equity (unaudited)
For the nine month period ended September 30, 2022**

	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 period	-	-	-	7,916	7,916
Fair value changes of equity instrument designated at FVTOCI	-	-	(1,191)	-	(1,191)
Total comprehensive (loss)/income for the period	-	-	(1,191)	7,916	6,725
Balance as at September 30, 2022	71,000	11,565	547	81,541	164,653
Balance as at January 1, 2021	71,000	10,860	(12)	67,283	149,131
Profit for the period	-	-	-	2,907	2,907
Fair value changes of equity instrument designated at FVTOCI	-	-	101	-	101
Total comprehensive income for the period	-	-	101	2,907	3,008
Balance as at September 30, 2021	71,000	10,860	89	70,190	152,139

The accompanying notes form an integral part of this condensed interim financial information.

ADCB Securities L.L.C.**Condensed interim statement of cash flows (unaudited)
For the nine month period ended September 30, 2022**

	9 months ended September 30	
	2022	2021
	AED'000	AED'000
Operating activities		
Profit for the period	7,916	2,907
Adjustments for:		
Depreciation on property and equipment	275	263
Employees' end of service benefit charge	245	290
	<u>8,436</u>	<u>3,460</u>
Movements in working capital		
(Increase)/decrease in trade and other receivables	(49,941)	420
Increase in margin trade receivables	(105,354)	(39,804)
Net movement in due to Parent Company *	9,369	(1,261)
Increase/(decrease) in trade and other payables	49,311	(1,012)
	<u>(88,179)</u>	<u>(38,197)</u>
Net cash used in operating activities		
Investment activity		
Purchase of property and equipment	(29)	-
	<u>(29)</u>	<u>-</u>
Net cash used in investing activity		
	<u>(29)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(88,208)	(38,197)
Cash and cash equivalents at the beginning of the period	(23,895)	(1,093)
	<u>(112,103)</u>	<u>(39,290)</u>
Cash and cash equivalents at the end of the period (Note 6)		
	<u>(112,103)</u>	<u>(39,290)</u>
*Non-cash transactions :		
Transfer of employees' end of service benefit	-	(79)

The accompanying notes form an integral part of this condensed interim financial information.

ADCB Securities L.L.C.

Notes to the condensed interim financial information For the nine month period ended September 30, 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 P.J.S.C. (the "Parent Company" or "ADCB"), 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 significant portion of its business through its Parent Company and customers, who are holding current accounts with ADCB.

2 Summary of significant accounting policies

2.1 Basis of preparation

The condensed interim financial information have been prepared on a going concern basis and in accordance with IAS 34 "Interim Financial Reporting". It does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations and applicable requirements of the laws.

The same accounting policies, presentation and methods of computation have been followed in this condensed interim financial information as were applied in the preparation and presentation of the Company's financial statements for the year ended December 31, 2021.

The results for the nine months period ended September 30, 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

These condensed interim financial information are prepared and presented in United Arab Emirates Dirhams (AED) which is the Company's functional and presentation currency and are rounded off to the nearest thousand ("000") unless otherwise indicated.

The preparation of the condensed interim financial information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The main areas of judgments, estimates and assumptions applied in this condensed interim financial information, including the key sources of estimation uncertainty were the same as those applied in the Company's financial statements for the year ended December 31, 2021.

ADCB Securities L.L.C.

Notes to the condensed interim financial information For the nine month period ended September 30, 2022

2 Summary of significant accounting policies (continued)

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

In the current period, the Company has applied the amendments to 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.

3 Investment security

	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
Investment in equity instrument designated at FVTOCI		
Quoted:		
Opening balance	2,602	852
Change in fair value	(1,191)	1,750
Closing balance	1,411	2,602

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

4 Trade and other receivables

	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
Trade receivables from customers	71,307	19,980
Receivables from exchanges	-	1,747
Prepayments and other receivables	518	157
	71,825	21,884

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 settle 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.

ADCB Securities L.L.C.**Notes to the condensed interim financial information
For the nine month period ended September 30, 2022****5 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.

	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
Margin trade receivables	391,138	285,784

The fair value of securities held as collateral against margin trade receivables amounts to AED 1,011,263 thousand as at September 30, 2022 (December 31, 2021: AED 788,448 thousand).

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

6 Cash and cash equivalents

	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
Cash	11	5
Call and current accounts	21,491	9,962
Cash and bank balances	21,502	9,967
Bank overdraft	(133,605)	(33,862)
Cash and cash equivalents	(112,103)	(23,895)

7 Share capital

	Authorised		Issued and fully paid	
	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
Ordinary shares of AED 1,000 each	141,000	141,000	71,000	71,000

ADCB Securities L.L.C.

Notes to the condensed interim financial information For the nine month period ended September 30, 2022

8 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.

9 Trade and other payables

	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
Trade payables to customers	53,787	20,327
Payable to exchanges	17,367	1,350
Other payables	3,064	3,230
	74,218	24,907

Trade payables to customers consist only of those customers maintaining a current account with ADCB, the Parent Company. The settlement date of trade payable to customers and exchanges are two working days (trade date plus two working days).

10 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 Fourteen Investment Company 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 his direct reports and the Company's directors and general manager.

ADCB Securities L.L.C.**Notes to the condensed interim financial information
For the nine month period ended September 30, 2022****10 Transactions and balances with related parties (continued)**

Related party balances and transactions included in the condensed interim statement of financial position and condensed interim statement of comprehensive income respectively are as follows:

	Parent Company and its related entities AED '000	Directors and key management personnel of the Company AED '000
Balances :		
As at September 30, 2022 (unaudited)		
Margin trade receivables	10,895	422
Bank balances with Parent Company :		
Call and current accounts ¹	8,192	-
Bank overdraft	(133,605)	-
Due to Parent Company	(10,245)	-
Long term borrowing	(100,000)	-
Other payables	(14)	-
As at December 31, 2021 (audited)		
Margin trade receivables	1,461	342
Bank balances with Parent Company :		
Current accounts ¹	8,270	-
Bank overdraft	(33,862)	-
Due to Parent Company ²	(876)	-
Long term borrowing	(100,000)	-
Other payables	(8)	-
Transactions :		
For the nine month period ended (unaudited)		
September 30, 2022		
Brokerage commission	383	20
Interest income	362	14
Interest expense	(3,201)	-
Commission expense on bank guarantees ³	(162)	-
September 30, 2021		
Brokerage commission	680	15
Interest income	49	40
Interest expense	(1,260)	-
Commission expense on bank guarantees ³	(108)	-

¹ Includes AED 6 thousand (December 31, 2021: AED 80) of current account balances maintained with related entity of ultimate controlling party.

² Net of AED 79 thousand transfer of employees' end of service benefit.

³ For bank guarantees issued by the Parent Company refer note 12.

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

ADCB Securities L.L.C.**Notes to the condensed interim financial information
For the nine month period ended September 30, 2022****11 Commitments and contingent liabilities**

	As at September 30 2022 (unaudited) AED'000	As at December 31 2021 (audited) 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.

12 Fair value of financial instruments

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

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

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

13 Approval of condensed interim financial information

This condensed interim financial information was approved by the Board of Directors and authorised for issue on November 9, 2022.